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September 1, 1999

PRESS RELEASE - For Immediate Release

Contact: Fred J. Joseph Colorado Division of Securities 303-894-2320

State securities cop warns about religious "Affinity Fraud"

Denver, CO////Colorado Securities Commissioner Fred Joseph today issued a warning about con artists who target members of religious groups. The warning follows state regulatory and law enforcement actions in recent months in securities fraud cases in which members of religious groups were targeted by schemers seeking to gain their trust by "preying" on their faith.

"The phrase In God We Trust is printed on our money. Unfortunately, when it comes to investing our money, we can't afford to blindly trust our fellow man," Joseph said.

In the 1970s, Pastor Charles Blair was convicted of 17 counts of fraudulent and other prohibited practices in securities sales for his church, a care facility, and the Charles E. Blair Foundation in Denver. His three corporation's debts totaled about \$20 million at the time they were placed into Chapter 11 bankruptcy. About 3,400 investors, mostly elderly and many from his church, were affected. In the 1980s, James Donahue, the principal of Hedged Investments Associates, conducted the largest investment swindle in Colorado history with investor losses totaling almost \$195 million. Investors included members of his church. Donahue pled guilty to one count of fraud, was convicted and sentenced to five years in prison.

Commissioner Joseph pointed to recent cases in Pennsylvania, Florida, Alabama, Indiana and elsewhere in which church members were allegedly defrauded by people they thought they could trust because the schemers claimed to share their religious faith. Securities regulators refer to it as "affinity fraud" when con artists target members of their own race, nationality or religious affiliation.

Some recent examples:

In October, trial is scheduled to begin in Florida for seven officials of the Tampa-based Greater Ministries International Church. They are charged in a 20-count federal indictment alleging conspiracy, money laundering and mail fraud. State securities regulators and prosecutors believe Greater Ministries operated a massive Ponzi scheme that may have defrauded more than 17,000 investors nationwide of as much as \$200 million. Many of the investors were fundamentalist Christians, including Mennonites in rural Pennsylvania, Ohio and Virginia, according to Michael Byrne, director of enforcement at the Pennsylvania Securities Commission. They were told their money would double in installment payments made over 17 months or less. Investors were quoted Luke 6:38: "Give, and it shall be given unto you." Greater Ministries officials told investors that state and federal securities laws did not apply to them because the investments were "gifts" to the Church and the payments from the church to investors, called "blessings," were not subject to taxes.

In Texas, a former Sunday school teacher, Renju Malayil Thomas of Missouri City, is being sought by the FBI on charges that he swindled at least 33 people, many of them church members, out of more than \$1 million. Thomas, according to Texas Securities Commissioner Denise Voigt Crawford, victimized members of a church in Stafford. The victims, like him, were immigrants from India. Thomas and another man, Thomas Mathew, scheduled to go on trial in mid-September, allegedly got money from investors to buy nationally known stocks and then stashed the cash in their personal bank and brokerage accounts.

In Illinois, the Illinois Securities Department is investigating an oil and gas investment scheme in which the promoter targeted Christians by claiming he had built a device to find oil based on visions he had received from God. About 150 investors are believed to have lost more than \$1 million.

In Wisconsin, this month (September), Bernell Ross of Milwaukee will go on trial for securities fraud. Ross was allegedly going to create a local minority-owned and operated telephone company. To raise money for this venture, Ross targeted members of the Milwaukee inner city, often going through local churches to reach parishioners. Hundreds of Milwaukee residents are believed to have invested. They were told that they would make money on the operations of the company and through a future public offering. Soon after the money was raised the company, Intra Community Communications, filed for bankruptcy protection.

Religious affinity fraud can also be more of a direct manipulation based on religious faith. In Indiana, for example, state securities regulators say elderly investors were duped into buying bogus promissory notes by three men, two insurance agents and an investment adviser, who often got on their knees and prayed with their victims to gain their trust.

In Alabama in late July, Wayne Gregory of Madison was sentenced to 30 years for bilking 30 retirement age investors out of nearly \$6 million. At the sentencing hearing, Gregory was greeted with jeers and boos as he tried to apologize to his victims. The judge received many letters about Gregory, a former financial consultant. Many victims, the judge said, were drawn to Gregory because he was charismatic and had "Christian values."

In Pennsylvania earlier this year several small Catholic churches were defrauded of about \$1 million by an investment adviser-parishioner who had won the trust of parish priests.

Unfortunately, there is no shortage of potential victims, says Joseph. "Many people feel like they've lost out on the historic bull market on Wall Street and they need to catch up. Also, interest rates are at 20-year lows. Some retirees dependent on interest income are desperate. Con artists are poised to take advantage of the naïve and the gullible."

Joseph said: "It may be a investment scam known to regulators in Colorado or elsewhere. Ask for advice from third parties such as lawyers or accountants. To avoid becoming a victim of affinity fraud, before you invest, call the Colorado Division of Securities (303-894-2320) to check out the investment and the person touting it."

Cautions Joseph: "Treat all investment tips—no matter where they come from—with skepticism. Just because someone in your church touts a certain investment, doesn't necessarily make it a good deal. Be very skeptical of investment returns that sound too good to be true because they are."

For more information on affinity fraud, visit the North American Securities Administrator's Association website (www.nasaa.org) and look under "Investor Education."

September 18, 2001

Contact: Fred Joseph Colorado Division of Securities 303-894-2320

or

Ken Lane Attorney General's Office 303-866-5632

Denver Man Sentenced in Securities Scam

Denver District Court Judge Herbert L. Stern on September 14th sentenced Gary Allen Pahl, a Denver resident, to nine years in prison for cheating investors out of approximately \$46,000. Judge Stern also imposed five years of mandatory probation to follow the prison sentence as well as restitution in the amount of \$44,070, interest of \$14,363, and additional costs of \$11,507.

In May, Pahl was convicted by a Denver jury of six counts of securities fraud, two counts of theft from an at-risk adult, and one count of computer crime. All are class 3 felonies. Following an investigation by the Colorado Division of Securities and subsequent indictment by the Denver grand jury, Pahl was charged with soliciting money in 1997 and 1998 from 10 individuals for investment in an oil well in the Salt Lake Basin in Kiowa County, Colorado. Eight of the individuals were 60 years of age or older at the time. The funds were to be held in escrow until used for drilling the oil well. Instead, Pahl used the money for personal expenses or for business purposes unrelated to the drilling of the oil well.

"This case demonstrates that a fraud scheme does not have to be terribly extensive to be effective in finding victims," Colorado Attorney General Ken Salazar said. "Once again, our senior citizens are targets. It is yet another reminder of the need for potential investors to be cautious when being solicited for money by strangers."

"Securities fraud is as serious a crime as robbing someone with a gun," said Colorado Securities Commissioner Fred Joseph. "It is particularly egregious when a person steals money from senior citizens."

The Denver District Attorney's Office requested the Attorney General's Office prosecute the case on its behalf. First Assistant Attorney General Vic Reichman prosecuted the case and obtained the conviction.

October 11, 2001

Contact: Fred Joseph Colorado Division of Securities 303-894-2320

or

Ken Lane Attorney General's Office 303-866-5632

Denver Man Sentenced to Prison in Securities Scam

Jefferson County District Court Judge Jane A. Tidball today sentenced Otto Fernando Rivera-Bottzeck, a Denver resident, to eight years in prison for violating the terms of his plea agreement.

In May of 1998, the Colorado Attorney General's Office obtained an indictment against Bottzeck from the statewide grand jury. The indictment included two counts of securities fraud, one count of theft, and one count of theft from an at-risk adult. In February of 2000, Bottzeck pled guilty to one count of securities fraud. He was granted a four-year deferred judgment and ordered to pay \$65,000 in restitution to his victims. Although he initially paid restitution in the amount of \$4,200, he ceased making restitution payments in November of 2000. Judge Tidball concluded that such a failure warranted a prison sentence.

Bottzeck told investors that he had invented a product, which he called the Redi-Drill, and was selling stock to raise funds for the development and production of the drill. He told investors that the drill was to be produced and sold in the retail hardware market within six months. He also represented to certain investors that they could expect a return of ten times their investment within two to three years. Other investors were given a promissory note providing for an interest payment of 150 percent of the principal amount within one year and interest at 15 percent annually thereafter. Further, Bottzeck claimed that Boztech Industries' (his company) stock would be offered to the general public within two to three years.

However, Bottzeck did not tell investors about any of the risks associated with the investment. Also, he did not tell them that he was previously convicted of criminal impersonation and forgery. In addition, he did not tell them that there was no contract or agreement with any company to produce or manufacture the Redi-Drill, and he did not tell them that money he received from them would be used for his personal expenses.

"My office takes these restitution agreements seriously. If they are violated, offenders need to know that there are consequences," said Colorado Attorney General Ken Salazar. "Mr. Bottzeck now knows what those consequences are."

"The defendant had the opportunity to make restitution to his victims and stay out of prison," said Colorado Securities Commissioner Fred Joseph. "It is unfortunate for him and his victims that he chose not to."

October 25, 2001

Contact: Fred J. Joseph Colorado Division of Securities 303-894-2320

The Colorado Court of Appeals upholds final order by the Securities Commissioner

The Colorado Court of Appeals upheld a final order by the Securities Commissioner, Case No. XY-99-04, entered in October 2000 denying the application by Westmark and Usher for licensure in Colorado as an investment advisor and investment advisor representative, respectively. The Securities Commissioner's order reversed the recommendation by an Administrative Law Judge that denial of the applications would not be in the public interest, notwithstanding that Usher was subject to a statutory disqualification under the Colorado Securities Act based on a securities industry bar previously issued by the National Association of Securities Dealers Regulation, Inc.

In affirming the Securities Commissioner's order, the Court of Appeals rejected arguments by Westmark and Usher that they had been denied due process in the proceedings before the ALJ, and specifically that the standard for what constituents the "public interest" was not articulated. According to the Court, the Securities Commissioner and the ALJ applied the same standard for "public interest" under Steadman v. Securities and Exchange Commission, 603 F.2d 1126 (5th Cir. 1979). However, the Court further held the Securities Commissioner may substitute his own judgment in making findings of ultimate fact from the record as long as the Commissioner's findings have a reasonable basis in law and supported by substantial evidence, which was the case here.

January 9, 2002

Contact: Fred J. Joseph Colorado Division of Securities 303-894-2320

Securities Commissioner Issues First Cease and Desist Order

Colorado Securities Commissioner Fred Joseph has issued a cease and desist order against William Lester Brotherton, Sr. and International Business Consortium, Inc. ("IBC") for offering and selling unregistered securities. Brotherton is a resident of Fort Collins, Colorado.

Using a law that became effective on July 1, 2001, Securities Commissioner Joseph issued a final cease and desist order against Brotherton and IBC for selling unregistered securities in Colorado. The matter was previously heard before the Colorado Securities Board at a show cause hearing. The Colorado Securities Board, in its initial decision, recommended to the Securities Commissioner that a cease and desist order be issued. This is the first cease and desist order issued by the Securities Commissioner under the new law.

Brotherton and IBC attempted to raise money to purchase an insurance company that would provide workers' compensation insurance to employers. The solicitation was made through an Internet website. Brotherton and IBC did raise over \$250,000 from over 150 investors in 32 states and seven foreign countries. Brotherton and IBC attempted to raise up to \$20 million.

The IBC stock was offered and sold at \$1 per share, with a minimum investment of \$500. In exchange for the purchase of IBC stock, Brotherton told investors that they would receive "Profits" from the savings realized by employers in workers' compensation claims. One of the claims on the website was that investors could expect annual dividends of \$4,000 to \$34,000 for each \$1,000 invested. Although it was claimed that the IBC stock was available to "accredited investors" through a private placement, the IBC website was publicly available to any person accessing the Internet and further, not protected in any manner from nonaccredited or unsophisticated investors finding the website.

In addition, Brotherton failed to disclose to investors that proceeds from the offering were being used for personal purposes and to the benefit of certain family members. Also, Brotherton did not tell investors that the U.S. Securities and Exchange Commission filed civil enforcement action, and that he and IBC are subject to an order of preliminary injunction and freeze of assets entered by the U.S. District Court on July 20, 2001.

"The new cease and desist authority gives me the ability to address certain enforcement issues quickly while providing due process to the respondents," said Securities Commissioner Joseph.

The cease and desist order against IBC and Brotherton is effective immediately.

March 12, 2002

Contact: Fred J. Joseph Colorado Division of Securities 303-894-2320

Securities Commissioner Issues Cease and Desist Order

Colorado Securities Commissioner Fred Joseph announced today that he has issued a cease and desist order against Norstar Communications, Inc., James McKibbin and Thomas Rabion. Norstar is based in Irvine, California. McKibbin and Rabion are residents of California.

Norstar represents itself as a start-up company that intends to provide long distance services, internet access, access to digital service, and access to satellite communication services. Norstar was attempting to raise up to \$2 million through the sale of preferred stock. The stock was offered at \$4 per share with a minimum investment of \$30,000.

Securities Commissioner Joseph issued a final cease and desist order against Norstar, McKibbin and Rabion for selling unregistered securities in Colorado. The matter was previously heard before the Colorado Securities Board at a show cause hearing. The Colorado Securities Board, in its initial decision, recommended to the Securities Commissioner that a cease and desist order be issued. Also, the Board found that McKibbin and Rabion are not licensed in Colorado as broker-dealers or sales representatives (i.e., stockbrokers). In addition, the Board concluded the three respondents violated the anti-fraud provisions of the Colorado Securities Act (the "Act").

The cease and desist order prohibits Norstar, McKibbin and Rabion from offering or selling Norstar securities in or from Colorado, and from otherwise violating the provisions of the Act.

Securities Commissioner Joseph said, "The lesson to be learned from this case is that if you sell securities, get competent legal advice to determine if those securities should be registered or are exempt from registration. In addition, the same legal counsel can advise if you also need to be licensed to sell securities."

The cease and desist order against Norstar, McKibbin and Rabion is effective immediately.

March 28, 2002

Contact: Fred J. Joseph Colorado Division of Securities 303-894-2320

or

Michael Knight Arapahoe County District Attorney's Office 720-874-8514

Former Stockbroker Convicted of Securities Fraud and Theft

An Arapahoe County jury has found a former stockbroker guilty of securities fraud and theft. Brian Victor Prendergast was found guilty of 12 felony counts of securities fraud and one felony count of theft. Prendergast was licensed in the securities industry from 1978 to 1994. He is presently licensed as an insurance agent in Colorado.

Between April 1997 and December 1998, Prendergast solicited 14 individuals to invest in his company, Falcon Financial Group USA, Inc. Prendergast was the president of Falcon. Prendergast told investors that he would invest their money into various investment products, including using their funds as start-up capital for Falcon. Prendergast took approximately \$160,000 from the investors.

In the offer and sale of securities to investors, it was found that Prendergast made untrue statements of material facts, omitted to state material facts to investors, and used investor funds for his personal use.

To date, none of the investors have received any return of interest or principal on their investment.

Prendergast also failed to disclose certain material facts to investors in Falcon. Prendergast did not tell investors that the National Association of Securities Dealers Regulation had barred him from the securities industry. He also did not tell investors that an Order of Permanent Injunction was placed against him pursuant to a complaint filed by the Commodity Futures Trading Commission. In that civil action, he was barred from the futures and commodities industries. In addition, he did not tell investors that he had filed for Chapter 7 Bankruptcy in May of 1997. Further, he did not tell investors about the risks of investing in a new company nor that the some of the funds were used for personal use.

Colorado Securities Commissioner Fred Joseph said, "Here we have an example of an individual abusing the trust and confidence of friends and clients. The lesson to be learned here is not to let your guard down when it comes to the investment of money."

Arapahoe County Deputy District Attorney Carolyn O'Hara said, "I hope this sends a message not only to stockbrokers who might employ deceptive practices but also to people who invest money with those brokers. While Securities is a seller beware market, buyers must also be aware of how their money is being invested."

The case was investigated by the Colorado Division of Securities and prosecuted by the Arapahoe County District Attorney's Office. Sentencing is scheduled for May 24, 2002 at 10:00 a.m. in Arapahoe District Court Div. 8. Prendergast faces a possible sentence of up to 156 years in the Colorado Department of Corrections.

April 11, 2002

Contact: Fred J. Joseph Colorado Division of Securities 303-894-2320

Securities Commissioner Obtains Order of Permanent Injunction in Viatical Settlement Scheme

Colorado Securities Commissioner Fred Joseph today announced that American Assets Management Corporation ("AAMC") and its president, Timothy Colin McGuire have entered into a Stipulation for Order of Permanent Injunction and Other Relief.

In April 2001, Commissioner Joseph filed a complaint in Denver District Court against AAMC and McGuire alleging that they violated the securities registration, broker-dealer and sales representative licensing, and antifraud provisions of the Colorado Securities Act. Specifically, AAMC and McGuire offered and sold approximately \$1.6 million of interests in a viatical settlement program to over 30 investors, the majority of whom are 60 years old or older, from August 1998 through November 1998. Neither of the defendants were licensed with the Securities Commissioner in any capacity.

In a viatical settlement transaction, a terminally ill person sells his/her life insurance policy to a viatical broker for 40 percent to 80 percent of the face value. The viatical broker then sells the policy to a pool of investors, with an estimate of when the insured person will die. The investor's "profits" dwindle if the insured doesn't die on time. In some cases, the insured stays alive and the investors are forced to pay insurance premiums or the policy will lapse. In other cases, the entire transaction is fraudulent, as the insurance policies do not exist.

In the complaint, the Securities Commissioner alleged that since at least August 1998, McGuire, through AAMC, solicited individuals in Colorado and elsewhere to purchase interests in a viatical settlement program devised by American Benefits Services, Inc. and Financial Federated Title and Trust, Inc., both based in Florida. McGuire would solicit prospective investors utilizing newspaper advertising in Denver area newspapers, and through a website. These advertisements promised a guaranteed return of up to 42% over the 36-month term of the viatical settlement investment, and a guaranteed annual income of 9.86%, paid monthly over the term of the investment.

In connection with the offer and sale of the viatical settlement interests, the Securities Commissioner alleged the defendants made materially false and misleading statements to potential investors, including that the investment was secured by a state insurance guarantee fund in Colorado and Florida, when in fact no such fund secured the investment; that investors were guaranteed a 42% return over the 36 months of the investment, 9.86% guaranteed income payable annually over the term of the investment, and the investment was 100% liquid. To date, investors have not received the promised return on their investments.

In the Stipulation, McGuire and AAMC have agreed to pay the Securities Commissioner \$70,000 on behalf of investors who purchased American Benefits Services, Inc. viaticals. This amount represents a portion of the commissions earned on the sale of the viatical settlements by McGuire and AAMC. McGuire, an insurance agent, has also agreed to voluntarily forfeit his insurance license.

The Securities Commissioner was represented in this action by attorneys from the office of the State Attorney General Ken Salazar.

April 29, 2002

Contact: Fred J. Joseph or Richard Djokic Colorado Division of Securities 303-894-2320

Insurance Agents Charged With Securities Law Violations

Securities Commissioner Alleges Monument and Loveland-Based Agents Have Raised \$900,000 in Fraudulent Payphone Scheme

Denver, Colorado --- Colorado Securities Commissioner Fred J. Joseph announced today that he has filed a complaint in Denver District Court against two individuals and their related businesses alleging that they have violated the securities registration, broker-dealer and sales representative licensing, and anti-fraud provisions of the Colorado Securities Act ("Act") in connection with their sales of interests in the Phoenix Telecom Payphone Equipment Leasing Program ("Phoenix Program") in and from Colorado. The Commissioner is represented in the action by attorneys from the office of State Attorney General Ken Salazar.

Named in the complaint are Gregory Michael Pellett of Monument and his business, Westport Financial Corporation, and James Jackson Deese of Loveland, and his business, Deese and Associates. None of the defendants are licensed with the Securities Commissioner in any capacity; however, Pellet and Deese are licensed as insurance agents in Colorado.

In the complaint, the Commissioner has alleged that in approximately February 1999, Pellet and Deese, along with other Colorado domiciled insurance agents, were recruited to offer and sell the Phoenix Program to residents in Colorado and other states. These sales agents, including defendants, would then solicit their insurance clients to invest in the Phoenix Program. The Commissioner further alleges that from March 1999 to April 2000, Pellet and Deese solicited at least twenty-three (23) persons in Colorado to invest in the Phoenix Program, and raised over \$900,000 from these individuals, the majority of whom were 70 years old or older. During this period, the Securities Commissioner alleges Pellet and Deese received commissions from the offer and sale of the Phoenix Program of at least 10%.

The Phoenix Program offered and sold by defendants involved an investor paying approximately \$7,000 for each telephone "unit" in Phoenix, in exchange for the investor's leaseback of the telephones to Phoenix. It was represented that the investor would receive monthly payments in the amount of \$82.25 for each unit leased back to Phoenix for the period of five years, with total payments amounting to \$4,935, or 14% annual return on investment. This return was dependent on the overall profitability of Phoenix and not on a particular investor's telephone unit. Phoenix was to perform all significant efforts in order for investors to receive the promised return. The Commissioner alleged that the interests in the Phoenix Program offered and sold by defendants are "securities" as defined under the provisions of the Act.

In connection with the offer and sale of the interests in the Phoenix Program, the Commissioner alleges defendants have made materially false and misleading statements to potential investors, including that Deese had himself purchased units in the Phoenix Program (which in fact he had not), that each investor would receive a fixed return of 14% from their Phoenix investment (which in fact they did not), and that investors would hold the title to or own each payphone they purchased (which they in fact did not). Further, the Commissioner alleges defendants failed to disclose material facts to potential investors, including that from May 1999 to February 2000, at least seven states had issued cease and desist orders under their respective securities laws against Phoenix and its principal for offering and selling the Phoenix interests in contravention of their securities laws; the extent of the commissions or other compensation received by defendants in connection with the sale of interests in the Phoenix Program; and that one of the principals of Phoenix was subject to a prior injunction for violation of the securities law, and subject to a related criminal prosecution.

In March 2001, the Commissioner filed a related enforcement action against Robert Geier, a licensed insurance agent, and three other individuals and their related entities for alleged violation of the Act in connection with the offer and sale of interests in the Phoenix Program to investors in Colorado and elsewhere. That matter is scheduled for trial in September 2002.

No trial date has yet been set by the Court in the Pellet and Deese case.

November 12, 2002

Contact: Fred J. Joseph or Richard Djokic Colorado Division of Securities 303-894-2320

Offer And Sale Of Viatical Settlements Halted In Colorado

Securities Commissioner Orders Maryland and Virginia-Based Firms and Sales Agents to Cease and Desist Securities Sales

Denver, Colorado --- Colorado Securities Commissioner Fred J. Joseph announced today that on November 6, 2002, he issued a final cease and desist order against three entities and three individuals in connection with the offer and sale of viatical interests in Colorado from approximately November 2001 through April 2002.

In his order, the Securities Commissioner found the Respondents violated the securities registration, broker-dealer and sales representative licensing, and anti-fraud provisions of the Colorado Securities Act ("Act") in connection with their offer and sale of these viatical interests in and from Colorado.

Named in the order are Beneficial Assurance, Ltd, a Maryland-based viatical settlement company; Fidelity Assurance Associates, LLC, a Virginia-based viatical settlement company; Richard Guilford and Brad C. Thompson, principals of Fidelity; Eric Ager, a Florida-based sales agent engaged by Beneficial and Fidelity; and Nationwide Consultants, Inc., a Nevada-based sales organization engaged by Fidelity and Beneficial.

The Commissioner's order was issued following initiation of cease and desist proceedings by the staff of the Division of Securities under the Act, and hearing before the Colorado Securities Board. In his order, the Commissioner concluded the viatical interests of Beneficial and Fidelity are "securities" in that they constitute "investment contracts" as defined under the Act. The Commissioner further concluded in his order that these securities were neither registered with the Division of Securities, nor exempt from the registration requirements of the Act, and that Nationwide and Ager were not licensed as either a broker-dealer or sales representative to offer or sell these securities.

The Commissioner also concluded the named Respondents violated the anti-fraud provisions of the Act in connection with the offer and sale of the securities of Beneficial and Fidelity. Specifically, the Commissioner found, among other things, that the Respondents made untrue statements of material facts, or omitted to state material facts regarding the escrow of investor funds relative to the viatical programs of Beneficial and Fidelity.

Investors were led to believe their funds would be placed in escrow and not transferred from the escrow account until an insurance policy had been selected for the investor and verified. However, as much as 44 percent of an investor's funds would in fact be immediately utilized to pay sales agents' commissions and other distributions. Additionally, the Respondents failed to advise investors that Beneficial was the subject of cease and desist order issued by Tennessee and Kansas securities administrators relative to the offer and sale of unregistered securities; i.e., viatical interests.

During the relevant time period covered by the cease and desist proceeding, approximately \$234,000 of investor funds were obtained by the Respondents from some seven Colorado investors relative to the offer and sale of the viatical interests of Fidelity. During the same period, approximately \$635,000 was obtained from some 31 Colorado investors relative to the offer and sale of the viatical interests of Beneficial.

In a related matter, Robert Broege and U.S. Financial Resources, Inc., also named Respondents, agreed to the Commissioner entering an order on June 11, 2002, prohibiting them from offering or selling securities, including viatical interests, in or from Colorado.

September 4, 2002

Contact: Fred J. Joseph or Richard Djokic Colorado Division of Securities 303-894-2320

Denver Man, His Company Ordered To Cease Securities Law Violations

Denver, Colorado --- Colorado Securities Commissioner Fred J. Joseph announced today that he has entered a final cease and desist order against a Denver man and his company for allegedly violating the securities registration, broker-dealer and sales representative licensing, and anti-fraud provisions of the Colorado Securities Act ("Act") in connection with the offer and sale of viatical investments in and from Colorado.

Named in the order are Ernst H. Behr and his business, EHB Resources, LLC. ("EHB"). Neither of the Respondents is licensed with the Securities Commissioner in any capacity.

In the Verified Petition filed with the Commissioner on August 26, 2003, the staff of the Division of Securities alleged that beginning in at least November 2002, Behr and EHB placed ads in the Rocky Mountain News and Denver Post offering a high return investment with no risk. The "no risk" investments offered by Behr and EHB were viatical investments issued by two viatical companies: Fidelity Assurance Associates, LLC and Mutual Benefits Corporation. In a final cease and desist order entered by the Commissioner on November 6, 2002, Fidelity was ordered to immediately and permanently cease and desist offering, selling or purchasing any "security" in or from the State of Colorado. In the same order, the Commissioner ruled the viatical investments of Fidelity constituted "investment contracts" and therefore "securities" under the terms of the Colorado Securities Act.

In connection with the offer and sale of Fidelity and Mutual Benefits viatical investments, the Division staff alleged Behr and EHB represented to investors that they (the investor) would be the named beneficiary on the death benefits or an insurance policy, and that investors would receive information concerning the person insured on a policy and the policy itself before investing. In fact, investors learned that a third-party trustee was the named beneficiary on policies after their investment, and investors received information about the insured person and the policy after their investment, if at all. The Division staff further alleged that Behr and EHB failed to disclose to investors not only the Commissioner's November 2002 order against Fidelity, but three cease and desist orders entered by securities regulators in the states of Alabama, Virginia, and Vermont against Mutual Benefits in April 2000, January 2001, and July 2001, respectively. Prior to the Commissioner's order, Behr and EHB had raised at least \$252,000 from investors in Colorado.

The cease and desist order, to which Behr and EHB agreed, prohibits Behr and EHB from offering and selling certain illiquid, high risk investments in or from Colorado, including viatical investments. Also, the order prohibits Behr and EHB from violating the registration, licensing, and anti-fraud provisions of the Act in the future in connection with the sale of securities.

November 6, 2002

Contact: Fred J. Joseph or Richard Djokic Colorado Division of Securities 303-894-2320

William G. Hoover-Controlled Companies, Another Individual Enjoined On Charges Of Securities Law Violations

Denver, Colorado --- Colorado Securities Commissioner Fred J. Joseph announced today that he has filed a complaint in Denver District Court and obtained a temporary restraining order against two individuals and three Colorado-based companies controlled by these individuals for alleged violations of the broker-dealer and securities sales representative licensing, and anti-fraud provisions of the Colorado Securities Act ("Act"). The Commissioner is represented in the action by attorneys from the office of State Attorney General Ken Salazar.

Named in the complaint are William G. Hoover, Clyde N. Carlson, Carlson Financial Corporation, a Colorado corporation (CFC), Private Equity Capital Advisor Partners, LLC, a Colorado limited liability company (PECAP), and Transition Liquidity Partners, LLC, a Colorado limited liability company (TLP). None of the defendants are licensed with the Securities Commissioner as broker-dealers or sales representatives; CFC and Carlson are licensed as an investment adviser and investment adviser representative, respectively, with the Commissioner.

In the complaint, the Commissioner alleges that since the filing of Hoover's bankruptcy on September 25, 2002, Hoover and the other defendants have violated and continue to violate the Act in connection with their activities and transactions through CFC, PECAP, and TLP. Specifically, these defendants have entered agreements with third party privately held companies who are actively seeking capital funds. Under these agreements, defendants are to find potential investors, conduct due diligence on investments, and make recommendations relative to such investments, among other services. In return, the defendants are to receive transaction-based compensation or fees, or compensation based on the size and success of the transaction, or both. These "contingent completion fees" may range from approximately 4% to 8% of the total transaction. The Commissioner alleges the defendants have received at least \$100,000 in fees and compensation from such transactions.

The Commissioner further alleges that in August 2003, Hoover solicited at least one Colorado resident to invest in companies with whom the defendants have purportedly established third-party agreements. In connection with this solicitation, defendants, and specifically Hoover, failed to disclose that Hoover has been indicted on 26 counts of securities fraud, 29 counts of theft, and violation of the Colorado Organized Crime Control Act by the Denver County Grand Jury in June 2003. Further, Hoover failed to tell the investor that between 1990 and 2002, the Internal Revenue Service had filed numerous tax liens against Hoover and one of his companies, that Hoover had filed for bankruptcy protection in September 2002, and that in 1998, Hoover had been sued for fraud.

Additionally, the Commissioner has alleged that since at least 2000, Hoover, through companies he controlled, has engaged in securities fraud violations under the Act regarding the offer and sale of the securities of Bird Ventures, LLC. The original purpose of Bird Ventures was to acquire and own a membership interest in another limited liability company, Flamingo Seismic, LLC. Hoover represented to investors in Bird Ventures that he would contribute \$280,000 and would be the managing partner; however, despite the fact investors contributed approximately \$700,000, Hoover did not contribute the promised \$280,000. Additionally, investor funds in Bird Ventures were used to pay Hoover's business expenses, other investors who were not Bird Venture investors, and converted to the personal use of Hoover.

The Commissioner also alleges Hoover, since 1999, has solicited investors in Colorado and elsewhere to invest in Hoover's "Agency Account," which was purportedly a pooled investment with other investor funds at Fleet Bank of Boston and paying 8% annually. In connection with these pooled investments, Hoover did not deposit the funds as represented, but rather used the funds to pay other investors and for Hoover's personal use.

The Temporary Restraining Order was entered by Denver District Court Judge Robert L. McGahey, Jr. In the Order, Judge McGahey prohibited the defendants from any further violations of the Act, and from destroying or concealing any of their respective books and records. The Judge also scheduled a preliminary injunction hearing for Thursday, November 6, 2003, at 9:00 a.m.

October 9, 2003

Contact:

Fred J. Joseph or Richard Djokic Colorado Division of Securities 303-894-2320

Shelman Securities Corporation's Securities Business Halted In Colorado

Texas Firm's Broker-Dealer License Suspended for Failure to Provide Records

Denver, Colorado --- Colorado Securities Commissioner Fred J. Joseph announced today Colorado broker-dealer license of Shelman Securities Corporation, a Dallas-based securities brokerage firm, has been suspended. In a final order entered by the Securities Commissioner on October 6, 2003, the firm's license was not only suspended, but the Division of Securities staff was directed to notify the known customers of Shelman, as well as the sales representatives of Shelman presently licensed in Colorado, of the suspension.

The Commissioner's order resolved a summary suspension action initiated by the Division staff on August 25, 2003. In its petition to the Commissioner, the Division staff alleged Shelman willfully failed to comply with a request on June 11, 2003, for certain documents and information with respect to individuals affiliated with Shelman in Colorado. This request was pursuant to the statutory "books and records" authority of the Division to examine licensed persons in Colorado. The Division staff alleged that despite numerous contacts and attempted communications with principals of Shelman, none of the requested information or documentation was provided by the date the petition was filed with the Commissioner.

A fact-finding hearing on the Division staff's petition was held before the Colorado Securities Board on September 9, 2003, which resulted in the Board issuing an initial decision recommending suspension of Shelman's license, and further recommended that customers and sales representatives of Shelman receive notice of the final order.

In addition to suspension of Shelman's Colorado license, the Commissioner adopted the recommendations of the Board relative to notification of customers and sales representatives of Shelman. Further, the Commissioner ordered that, in order to protect customers of Shelman and allow them access to their accounts, Shelman is not precluded by the suspension order from executing closing or liquidating transactions on behalf of customers, or from allowing transfer of customer accounts to another firm.

In a related matter, the Dallas office of the National Association of Securities Dealers, Inc., ("NASD") on June 25, 2003, filed a Complaint against Shelman and one of its principals, Mark C. Parman, alleging that the firm and Mr. Parman, from 1998 through 2000, committed securities fraud in connection with an unregistered hedge fund offering. During this period, the NASD alleges Shelman and Parman, offered and sold approximately \$2 million of unregistered securities in the form of limited partnerships to at least 104 investors throughout the United States. These offers and sales, according to the NASD, were made pursuant to false and misleading private placement memoranda drafted by Parman, which, among other things, stated that investor funds would not be commingled; in fact, such funds were commingled. The NASD also alleged that of the amount raised, approximately 30 percent, or \$600,000, was paid to Shelman and an entity controlled by Parman, for purported expenses, fees, and commissions. The NASD matter is currently pending.

January 21, 2004

Contact: Fred J. Joseph or Richard Djokic Colorado Division of Securities 303-894-2320

Mutual Benefits Corporation Accused Of Securities Law Violations

Securities Commissioner Names Florida-Based Firm and Four Individuals In Connection With the Offer and Sale of Viatical Investments

Denver, Colorado --- Colorado Securities Commissioner Fred J. Joseph announced today the filing of his Complaint and Motion for Temporary Restraining Order and Preliminary Injunction issued against a Florida-based viatical settlement firm, three of its principals, and an attorney in connection with the offer and sale of viatical interests in Colorado from approximately 1994 through the present. In his filings, the Securities Commissioner alleges the Defendants violated the securities registration, licensing, and anti-fraud provisions of the Colorado Securities Act ("Act") in connection with their offer and sale of their viatical interests in and from Colorado.

Named in the order are Mutual Benefits Corporation, a Fort Lauderdale, Florida-based viatical settlement company ("MBC"), and Joel Steinger, Leslie Steinger, and Peter J.Lombardi, principals of the firm. Also named is Anthony M. Livoti, a Florida attorney acting a trustee for the MBC viatical program.

In his Complaint, the Commissioner alleges the viatical interests of MBC are either "viatical investments" defined as the sale of a life insurance policy by an individual who is terminally ill for a discounted cash percentage of the policy's face value to a third party, or "life settlements" defined as the sale of a life insurance policy usually by a senior citizen for a discounted cash percentage of its face value to a third party. These viatical interests, or "securities," according to the Commissioner, are not registered, or exempt from registration requirements of the Act. Additionally, the Commissioner alleges that MBC engaged unlicensed sales agents in Colorado and elsewhere to market the viatical interests.

The Commissioner further alleges that the named Defendants represent the MBC viatical investments feature a fixed return commensurate with the purported life expectancy of an insured person under a particular policy. For example, a 12-month life expectancy would feature a 12% return; a 72-month life expectancy would feature a 72% return. However, investors have not received the promised returns within the represented time periods, if at all.

Finally, the Commissioner alleges the Defendants have violated the anti-fraud provisions of the Act. Specifically, the Defendants, among other things, made untrue statements of material facts, or omitted to state material facts regarding the independent medical evaluation of policies to establish life expectancies of the insureds under the policies, the fact that investors are contractually obligated to pay additional funds for premiums should an insured outlive the purported life expectancy, and that investors would have input into which life insurance policy they purchase, when in fact they did not. Additionally, the Defendants have failed to advise investors that MBC is the subject of cease and desist orders issued between October 2000 and February 2003 by Alabama, Vermont, Virginia, and Pennsylvania securities administrators relative to the offer and sale of unregistered securities; i.e., MBC viatical interests.

During the relevant time period covered by the Complaint, the Commissioner further alleges that MBC has raised approximately \$5.5 million from at least 200 Colorado investors in connection with the offer and sale of the viatical interests of MBC.

At a hearing held on January 21, 2004, Judge Joseph Meyer of the Denver District Court did not grant the Commissioner's request for a temporary restraining order against Defendants, but set the Commissioner's Motion for Preliminary Injunction for hearing on January 30, 2004, at 9 a.m.

February 13, 2004

Contact: Fred J. Joseph or Richard Djokic Colorado Division of Securities 303-894-2320

Colorado Securities Division's Investigation Of Janus Capital Group Confirmed

Denver, Colorado --- Colorado Securities Commissioner Fred Joseph announced today that his office is in discussions with Janus Capital Group, Inc. ("Janus") regarding the Division's investigation of marketing timing, late trading, and related issues relative to Janus and its affiliates.

Janus initially contacted the Division in October 2003 concerning ongoing investigations by the New York Attorney General and Securities and Exchange Commission, and the implication of Janus in these investigations and the settlement between the New York Attorney General and Canary Capital Partners, LLP. The Division subsequently opened its inquiry of Janus, and has carefully reviewed volumes of documents and information from Janus, among other sources over the past four months.

"The Division deemed it appropriate to open a dialogue with Janus at this juncture of our investigation, prior to initiating formal proceedings, to determine if a resolution can be reached," said Commissioner Joseph. "Based on our findings to date, it appears there have been violations of the provisions of the Colorado Securities Act relative to the trading activities involving Janus; however, in light of Janus' cooperation in the investigation, and the firm's willingness to address the problems, we determined it was in the best interests of both parties to open discussions," continued Joseph.

Due to the confidential nature of the Division's investigations, the details of any potential violations or the substance of any settlement discussions cannot be disclosed by the Division. Generally, however, the elements the Division would necessarily seek in a resolution would be cessation of unlawful conduct, implementation of "fixative measures" on a go-forward basis, and restitution to investors. Regarding restitution, the Division understands Janus has offered restoration in the amount of \$31.5 million; however, the adequacy of the offer is under review in light of the Division's investigation.

March 9, 2004

Contact: Fred J. Joseph Colorado Division of Securities 303-894-2320

Former Denver Man Sentenced to Prison in Securities Scam

Colorado Securities Commissioner Fred Joseph and Attorney General Ken Salazar announced today that a former Denver-area man on probation for securities fraud and theft from an elderly victim had his probation revoked and was sentenced to state prison after he was arrested in California attempting to scam another victim.

On Friday, Arapahoe County District Court Judge Michael Spear sentenced Bryant W. Robertson to six years in prison for violating the terms of his plea agreement. In December, Larimer County District Court Judge James Hiatt sentenced Robertson to 10 years in prison in connection with his probation revocation. The prison sentences are to run concurrently. In addition, Robertson will have a mandatory five-year parole upon completion of his prison sentence.

Friday's sentence was the latest in Robertson's involvement with the judicial system.

In August 1998, Robertson pled guilty in Arapahoe County District Court to one count of theft from and at-risk adult (an elderly victim) based upon a complaint received by the Colorado Division of Securities in 1997 and prosecuted by the Attorney General's Office. The victim said that she was defrauded of \$5,000 when she was sold shares of stock that she never received. Robertson paid approximately \$6,100 in restitution in that case and was sentenced to three years probation.

While the 1997 criminal allegations were being resolved, the Colorado Division of Securities received complaints from two other individuals who alleged Robertson had defrauded them of a total of \$10,000 in connection with the sale of stock in an alleged Arizona company. The Colorado Attorney General's Office subsequently brought criminal charges against Robertson in 1999 alleging five counts of securities fraud in Larimer County District Court. In May 2000, Robertson pled guilty to one count of securities fraud, repaid several victims approximately \$22,000 and was again sentenced to probation, this time for 15 months to run concurrently with the Arapahoe County probation sentence.

Robertson was subsequently charged by the Attorney General's Office in November 2000 for violating his probation when he was accused of harassing a former girlfriend in Fort Collins. He pled guilty to the probation violations and was sentenced to three years of intensive supervised probation (ISP) in December 2001. However, charges were filed to revoke the ISP after Roberson failed the required drug tests and other probation terms. After removing the ankle monitor required by ISP, Robertson fled to California prior to the August 2002 revocation hearing. As a result of his failure to appear at his sentencing hearing, the Larimer County District Court issued an arrest warrant for him.

In June 2003, Robertson was arrested in San Jose, California on an outstanding Colorado arrest warrant. He was charged in a California court to providing false identity information to the police at the time of his arrest and to obstructing a peace officer. However, the charges were dropped when Robertson agreed to extradition to Colorado. At the time, Robertson was overheard in a restaurant pressuring an elderly woman to invest over \$100,000 with him and the police were called to investigate. He was returned to Colorado on the outstanding arrest warrant.

April 27, 2004

Contact: Fred J. Joseph Colorado Division of Securities 303-894-2320

Colorado Securities Commissioner Agrees To Settlement With Janus Capital Management

Denver, Colorado --- Colorado Securities Commissioner Fred Joseph announced today that the Colorado Division of Securities has agreed, in principle, to settle with Janus Capital Management, LLC ("Janus") regarding the Division's investigation of marketing timing and related issues relative to Janus and its affiliates.

In the settlement agreement with the Division, Janus has agreed in principle to the following conditions:

- Janus will retain an Independent Compliance Consultant to conduct a comprehensive review and audit of Janus' supervisory, compliance, and other policies and procedures designed to prevent and detect conflicts of interest, breaches of fiduciary duty, and related securities law violations.
- Janus has agreed to take all necessary steps to adopt and implement the recommendations contained in the Consultant's report.
- Janus shall pay \$100 million as a condition of continuing to engage in any securities business in Colorado. The payment is to be made directly to the Securities and Exchange Commission with the funds to be distributed to investors.
- Janus has also agreed to make other operational changes.
- "The intent of this agreement is to effect change in how Janus has conducted its business in the past," said Commissioner Joseph. "Ultimately, the changes that are being made will benefit the investors of Janus," continued Joseph.

Janus initially contacted the Division in October 2003 concerning ongoing investigations by the New York Attorney General and Securities and Exchange Commission, and the implication of Janus in these investigations and the settlement between the New York Attorney General and Canary Capital Partners, LLP. The Division subsequently opened its inquiry of Janus, and reviewed volumes of documents and information from Janus, and other sources. Janus has cooperated with the Division during the investigation.

July 29, 2004

Contact: Fred J. Joseph Colorado Division of Securities 303-894-2320

Las Vegas Couple, And Their Companies, Ordered To Cease And Desist From Securities Sales In Colorado

Denver, Colorado --- Colorado Securities Commissioner Fred J. Joseph announced today that he has entered a final cease and desist order against a Las Vegas couple and their companies for allegedly violating the securities registration and anti-fraud provisions of the Colorado Securities Act ("Act") in connection with the offer and sale of securities in and from Colorado.

Named in the order are Ronald L. McLain, his wife, Constance L. McLain, and their businesses, IQ Travel & Entertainment, Inc., and IQ OEM, Inc.

In the Verified Petition filed with the Commissioner on July 15, 2004, the Staff of the Division of Securities (the "Staff") alleged that beginning in at least October 2002, the McLains offered and sold securities in IQ Travel. According to the McLains, the business of IQ Travel was to sell prepaid travelcards. The travelcards would purportedly entitle customers to discounts on a wide variety of travel and entertainment services such as air travel and lodging. The Staff alleged in the Petition that the only activity of IQ Travel was raising capital through the sale of its stock. IQ Travel had no business operations, made no sales of goods or services, and received no business income from any source. The Staff alleged that the McLains made untrue statements to investors regarding the amount of money the McLains had personally invested in IQ Travel, that IQ Travel had vendor contracts with Wal-Mart and Sam's Club, that IQ Travel had purchased a commercial building at the Pueblo Airport Industrial Park, and that certain individuals were affiliated with IQ Travel. Further the Staff alleged that the McLains failed to tell the investors that their funds would be used for the personal expenses of the McLains and failed to inform investors of the true financial condition of IQ Travel. The Staff alleged that these untrue statements and omissions of material fact were all in violation of the anti-fraud provisions of the Act. Prior to the Commissioner's order, more than 100 Colorado investors had invested about \$457,000 in IQ Travel.

The Staff further alleged that in February of 2004, Ronald McLain contacted at least two Colorado residents who had purchased stock in IQ Travel for the purpose of soliciting the sale of securities in IQ OEM. The stated business of IQ OEM, which is substantially similar to IQ Travel, is the sale, through large established retailers, of personal computers bundled together with television, cellular telephones, broadband internet and travel and entertainment services. The Staff alleged that the McLains violated the anti-fraud provisions of the Act in connection with the offer of securities in IQ OEM by failing to disclose to investors the true financial condition of IQ OEM and the previous financial failure of IQ Travel.

The cease and desist order, which the McLains and their companies agreed to, orders them to immediately and permanently cease and desist offering or selling any "security" in or from the State of Colorado. The order was made final on July 29, 2004.

August 18, 2004

Contact: Fred J. Joseph Colorado Division of Securities 303-894-2320

Colorado Securities Division Finalizes Settlement With Janus Capital Management

Denver, Colorado --- Colorado Securities Commissioner Fred J. Joseph announced today that his office has finalized its settlement agreement with Janus Capital Management, LLC ("Janus") regarding the Division's investigation of marketing timing and related issues relative to Janus and its affiliates.

Janus had initially agreed in principle on April 27, 2004 to settle potential claims arising out of the Division's ongoing investigation of market timing activities at Janus. The agreement with Janus was finalized with Janus signing a Stipulation for Consent Order and the Commissioner executing the Consent Order. In the Stipulation, the Division alleged that Janus permitted certain institutional and other investors to market time certain Janus funds. Some of the timing agreements were entered into with the understanding that the "Timer" would make long term investments, so-called "sticky assets," in certain of Janus' funds. From November, 2001 to September 2003, Janus entered into or maintained agreements with 12 Timers. These agreements permitted the Timers to trade far more frequently than other shareholders and, in some cases, to make frequent trades of up to tens of millions of dollars each in the mutual funds. These arrangements were not disclosed to other investors, and were contrary to the statements made in the Janus Funds' prospectuses to investors that stated Janus did not permit frequent trading or market timing in these funds. The timing activity by the Timers caused a substantial amount of dilution to the affected Janus funds lowering the value of each shareholder's interest in the fund. By entering into the Stipulation, Janus neither admits nor denies any of the allegations or grounds set forth in the Stipulation are true.

The Stipulation provides as follows:

- · Janus will pay \$100 million as a condition of continuing to engage in any securities business in the State of Colorado. The payment will be made directly to the Securities and Exchange Commission with the funds to be distributed to investors.
- · Janus will retain an Independent Compliance Consultant to conduct a comprehensive review and audit of Janus' supervisory, compliance, and other policies and procedures designed, among other things, to prevent and detect any form of improper or illegal trading, including market timing and late trading. This will include Janus clearly articulating a policy of zero tolerance for trading in Janus Funds that is inconsistent with the terms of the funds' prospectus. Janus will also implement reasonable procedures designed to detect and deter market timing and late trading.
- · Janus has also agreed to make other operational changes.
- "This settlement is good for investors," said Commissioner Joseph, "as it addresses past harm done to the investors and puts in place various mechanisms to prevent market timing from occurring in the future."

Janus initially contacted the Division in October 2003 concerning ongoing investigations by the New York Attorney General and Securities and Exchange Commission, and the implication of Janus in these investigations and the settlement between the New York Attorney General and Canary Capital Partners, LLP. The Division subsequently opened its inquiry of Janus, and has requested and reviewed volumes of documents and information from Janus, among other sources. Janus has cooperated with the Division during the investigation.

September 7, 2004

Contact: Fred J. Joseph Colorado Division of Securities 303-894-2320

Invesco Funds Group Agrees To Settle Colorado Division Of Securities Fraud Charges For \$325 Million For Undisclosed Market Timing

Denver, Colorado --- Colorado Securities Commissioner Fred Joseph announced today that the Colorado Division of Securities has agreed to settle its investigation against Invesco Funds Group, Inc., ("Invesco") regarding Invesco's undisclosed market timing arrangements with certain investors in its mutual funds. Invesco has agreed to pay disgorgement/restitution in the amount of \$215 million and civil penalties of \$110 million for a total payment of \$325 million.

Invesco will pay \$325 million as a condition of continuing to engage in any securities business in Colorado. The total payment is to be made directly to the Securities and Exchange Commission with all the funds to be distributed to investors.

Based upon its investigation, the Division asserts that between at least July 2001 and October 2003, Invesco permitted more than sixty separate broker dealers, hedge funds, investment advisors and other traders to trade in excess of Invesco's prospectus restrictions on market timing. These select traders engaged in frequent trading, in the hundreds of millions of dollars, designed to implement market timing strategies in at least ten of Invesco's funds. Invesco developed such a sophisticated relationship with market timers that it employed a designated person to monitor its "timing desk." Instead of "ferreting out" market timers, this employee and Invesco developed a comprehensive policy for marketing and monitoring market timing. This policy did not include a determination of whether market-timing or short-term trading was in the best interests of the mutual funds. Invesco was engaged in a systemic practice of permitting market timing for selected investors. Invesco developed procedures to accommodate these investors in order to obtain increased management fees.

In the settlement agreement with the Division, Invesco has agreed to undertake certain compliance and mutual fund governance reforms.

"The intent of this agreement is twofold: to ensure that all victims of the harm from these improper timing arrangements are compensated and to effect change in how Invesco will conduct its business in the future," said Commissioner Joseph. "We believe that the settlement accomplishes both these goals."

The Division's enforcement action has been coordinated with the Denver office of the Securities and Exchange Commission, the Colorado Attorney General's Office, and the New York Attorney General's Office. Invesco has cooperated with the Division during the investigation.

November 17, 2004

Contact: Fred J. Joseph Colorado Division of Securities 303-894-2320

Harrison Securities, Inc., Expelled From Colorado

New York Firm's Broker-Dealer License Revoked and 8 Agents Sanctioned for Improper Sales Practices

Denver, Colorado --- Colorado Securities Commissioner Fred J. Joseph announced today that the Colorado broker-dealer license of Harrison Securities, Inc., a New York based securities brokerage firm, has been revoked. In addition to the revocation of the firm's license, the Colorado securities licenses of two principals of the firm, Frederick Blumer and Raymond Leventhal, were also revoked. In addition, the Colorado securities licenses of the following agents of Harrison were sanctioned: Raymond Connors, Gregory Weissman, James Pecoraro, Chad Thompson, Abed Lulu, and Howard Birnbaum.

These sanctions were imposed as a result of an action initiated by the Division staff on February 6, 2004. In its Notice of Charges, the Division staff alleged that Harrison and certain sales representatives engaged in unauthorized trading in certain Colorado investors' accounts. In addition, the Division staff alleged that certain Harrison securities sales representatives engaged in a course of frequent, high-risk trading that was inconsistent with certain Colorado customer's' financial situations. The trades conducted by the firm's sales representative were unsuitable in light of these Colorado investors' knowledge, financial situation, needs, experience, and investment objectives.

The sanctions imposed are as follows:

Harrison Securities, Inc.

Permanent revocation of its Colorado broker-dealer license.

Frederick Blumer

Chief executive Officer of Harrison. Permanent revocation of his Colorado securities sales license.

Raymond Leventhal

Vice-President and Director of Compliance for Harrison. Permanent revocation of his Colorado securities sales license, subject to a Final Order.

Gregory Weissman

Associated with Harrison as a securities sales representative. Five-year suspension of his Colorado securities sales license.

James Pecoraro

Associated with Harrison as a securities sales representative. Three-year suspension of his Colorado securities sales license. Pecoraro has agreed to never reapply for a securities license in Colorado and pay restitution in the amount of \$15,900.

Chad Thompson

Associated with Harrison as a securities sales representative. Ninety-day suspension of his Colorado securities sales license and payment of \$14,000 in restitution.

Raymond Connors

Associated with Harrison as a securities sales representative. Forty-five day suspension of his Colorado securities sales license.

Howard Birnbaum

Associated with Harrison as a securities sales representative. Fifteen-day suspension of his Colorado securities sales license.

Abed Lulu

Associated with Harrison as a securities sales representative. Fifteen-day suspension of his Colorado securities sales license.

"These sanctions demonstrate the Division's intent to aggressively protect Colorado investors from the kind of fraudulent sales practices employed by this New York firm," said Securities Commissioner Fred Joseph. "The sanctions vary based upon our perception of the culpability of each party," said Joseph, "with the firm and its principals suffering the most severe sanctions."

February 3, 2005

Contact: Fred J. Joseph Colorado Division of Securities 303-894-2320

Hedge Fund Operator Charged With Securities Law Violations

Denver, Colorado --- Colorado Securities Commissioner Fred J. Joseph announced today that he has filed a complaint in Denver District Court against two individuals and their related businesses alleging that they have violated the anti-fraud, registration, and licensing provisions of the Colorado Securities Act in connection with their marketing and management of The Vision Fund, L.P., a hedge fund operating out of Colorado Springs, Colorado. The Commissioner is represented in the action by attorneys from the office of the Acting State Attorney General John W. Suthers.

Named in the complaint are H. Alan Bird of Colorado Springs and his business, XL Capital Partners, Inc., and David Newton, also of Colorado Springs, and his business, D.E.N. Ventures, Inc. None of these Defendants are licensed in any capacity with the Securities Commissioner.

In the complaint, the Commissioner has alleged that Bird began offering in November 2002 to prospective investors interests in his hedge fund, The Vision Fund. By the end of November, 2004, Bird had sold hedge fund interests to more than 400 investors, and took in approximately \$23.5 million in investor funds. Most investors are Colorado residents, and many of these investors used money from 401(k) retirement plans to invest in the hedge fund.

The Commissioner further alleges in his complaint that Bird and Newton engaged in a scheme to defraud the hedge fund investors by falsely and significantly inflating investment returns for the hedge fund. For example, to induce prospective investors to invest in the hedge fund, they represented that the hedge fund generated a 74.6% return from December 2002 through May 2003, when actually returns were substantially lower. Bird and Newton also fraudulently overstated returns in account statements provided to individual investors. Based on these inflated returns, Bird and Newton withdrew incentive allocations from the hedge fund that grossly exceeded what they were entitled to withdraw. They also misappropriated investor funds by paying unauthorized and excessive referral fees to themselves and others, and by obtaining unauthorized and undocumented "loans" from the hedge fund for their personal use, such as \$1.2 million in investor funds to purchase and maintain a corporate jet.

Also named in the complaint for violating the licensing provisions of the Act are Benjamin Raphael, of Orlando, Florida, and his company, Pro Vision Investments, Inc., Doug Scott, and his business, Doug, Scott, Inc., David Burdine, Alan Bird's father-in-law, Kevin Burdine, Alan Bird's brother-in-law, Jay Hawpe, Donavon Johnson, Greg Mills, Richard Mutch, Brian Peterson, and his company, Secured Financial Companies, Inc., all of Colorado Springs, and Les Houghton of Apopka, Florida. None of the Defendants are licensed in any capacity with the Securities Commissioner except Brian Peterson who is licensed as an investment adviser representative.

This action began in December 2004 when, with the cooperation of Defendants Alan Bird and XL Capital Partners, and pursuant to a request by the Securities Commissioner, the Denver District Court appointed a Receiver for the assets of XL Capital Partners, including the assets of the hedge funds. The Receiver appointed by the court is Andrew C. Synder, Esq. Immediately subsequent to his appointment, the Receiver seized and froze all assets of XL Capital Partners and the hedge funds in the form of bank accounts, brokerage accounts, foreign exchange trading accounts, and a Challenger 600 Jet Aircraft.

"This case highlights the need for investors to beware of placing their investments or retirement funds in hedge funds," said Commissioner Joseph. "Hedge funds historically raised money from only 'accredited' investors, those with a net worth of at least \$1 million, but there are unscrupulous promoters who are trying to reach a broader audience by marketing the alleged higher returns of hedge funds," said Joseph. "Hedge funds are the current fad, but the time worn adage that 'if it sounds too good to be true, it probably is' especially applies to so-called hedge funds. Hedge fund investments are not appropriate for any investor who can not risk losing their investment."

March 23, 2005

Contact: Fred J. Joseph Colorado Division of Securities 303-894-2320

Colorado Division Of Securities Takes Action Against Lh Ross & Company, Inc.

Denver, Colorado --- Colorado Securities Commissioner Fred J. Joseph announced today that Notice of Charges was filed yesterday against LH Ross & Company, Inc. LH Ross is a broker-dealer licensed in Colorado to buy and sell securities. Its principal office is located in Boca Raton, Florida. In filing the Notice of Charges, the Division of Securities is seeking to revoke the brokerage license of LH Ross in Colorado, thereby preventing them from conducting further securities business in Colorado.

Colorado securities regulators took the action based upon a decision issued by the National Association of Securities Dealers ("NASD") which found that LH Ross had engaged in "scheme to defraud investors," operating as a "boiler room," and making material misrepresentations and omissions in connection with the offer and sale of unregistered securities issued by LH Ross through private placements offerings in 2003 and 2004. These unregistered securities were sold to Colorado residents who lost approximately \$380,000 on their investments. The firm has been ordered to provide more than \$11 million in restitution to investors nationwide and to pay a fine of \$500,000.

Colorado is one of several states that have taken action against LH Ross to prevent the firm from conducting further securities business in those states. Those states include Texas, New Hampshire, and Connecticut.

April 12, 2005

Contact: Fred J. Joseph Colorado Division of Securities 303-894-2320

or

Kristen M. Hubbell Colorado Attorney General, Communications Director 303-866-5632

Attorney General John Suthers Obtains Indictment And Arrest In Securities Scam

Division of Securities Investigation Results in 17 Count Indictment

(DENVER) - Attorney General John Suthers today announced that criminal charges have been filed against former Littleton resident, John Mark Godard, in connection with an alleged scam, involving soliciting investors to finance non-existent radio equipment.

"Colorado's investors can be assured that we are working hard to combat securities fraud," said Suthers. "This arrest sends a message to any perpetrator or white collar criminal that they should think twice before preying on unsuspecting investors."

The Attorney General's Office obtained a statewide grand jury indictment on April 8, 2005 against Godard, charging him with seventeen counts of securities fraud (class 3 felonies). The alleged scam involved sixteen victims from Arapahoe, Boulder, Denver, Douglas, and Jefferson Counties with losses of \$1.4 million.

"Our alliance and continued cooperation with law enforcement authorities like the Colorado Attorney General's Office and other federal and state agencies will continue to have a significant impact in protecting the citizens of Colorado from securities fraud," said Colorado Securities Commissioner Fred J. Joseph.

Investors were promised high yields on short-term investments financing radio equipment. Godard allegedly told investors that he had contracted with a Fortune 500 company for the purchase of radio repeaters and needed investors to finance them.

The defendant was arrested in Arkansas on April 9, and is currently being held in the Washington County Circuit Court jail in Bentonville, Arkansas awaiting extradition back to Colorado. His bond has been set at \$250,000. No trial date has been set.

-more-

As with all persons charged with a criminal offense, Godard is presumed innocent until proven guilty.

The case is captioned People v. John Mark Godard, Case No. 05CR1512, Denver District Court.

May 6, 2005

Contact: Fred J. Joseph Colorado Division of Securities 303-894-2320

Janney Montgomery Scott, Llc Settles Colorado Licensing Action

Philadelphia firm agrees to pay investor \$259,228 as part of settlement with Colorado regulators

Denver, Colorado --- Colorado Securities Commissioner Fred J. Joseph announced today a settlement with Janney Montgomery Scott, LLC ("JMS"), a Philadelphia based securities brokerage firm, for JMS' failure to supervise one of its Florida stockbrokers. In the settlement, JMS agreed to pay restitution to a Colorado investor in the amount of \$259,228. JMS also agreed to undertake certain compliance reforms.

Joseph said, "The key to the settlement was JMS' willingness to make restitution to the Colorado investor for the harm caused and to take additional compliance measures to prevent this kind of misconduct from happening again."

The settlement was a result of an action initiated by the Division staff on December 21, 2004. In its Notice of Charges, the Division staff alleged that Albert J. Copperstone, a stockbroker employed by JMS in its Boca Raton, Florida office, engaged in unlicensed securities transactions and committed securities fraud with respect to one Colorado investor. With regard to JMS, the staff alleged that JMS failed to establish and enforce supervisory procedures to detect and prevent the harm caused by Copperstone. The staff asserted that Copperstone engaged in a pattern of excessive trading or "churning" with the intent to enhance his commissions and defraud the Colorado investor. During a 20-month period, Copperstone executed 542 transactions in one account, including engaging in such high risk trading strategies such as equity options, trading on margin, and selling stocks short. The staff claimed that while Copperstone earned \$132,000 in commissions during this time period, the Colorado investor lost almost all of the value of his account, approximately \$255,000. The pending action against Copperstone to revoke or deny his Colorado securities license is set to proceed to hearing on August 8, 2005. In addition to the payment of restitution, JMS agreed to implement additional auditing of its Boca Raton office and additional training for its supervisory personnel. As part of the agreement, JMS neither admitted nor denied the allegations.

July 26, 2005

Contact: Fred J. Joseph Colorado Division of Securities 303-894-2320

or

Kristen M. Hubbell Colorado Attorney General, Communications Director 303-866-5632

Parker Man Arrested Following Indictment For Securities Fraud

(DENVER) - Attorney General John Suthers and Securities Commissioner Fred Joseph announced today the arrest of Rico Vecchiarelli following his indictment on July 22, 2005, by the State Grand Jury and the subsequent issuance of an arrest warrant on the same date by the Denver District Court. Vecchiarelli's accomplice, Sean Zweifel, age 30, was also indicted but has not yet been arrested.

"These defendants are accused of swindling Colorado investors out of thousands of dollars," said Attorney General Suthers. "This indictment sends a message to would be criminals that we will not tolerate securities fraud of any type."

The State Grand Jury indicted Vecchiarelli and Zweifel on six counts of securities fraud and one count of theft, all class 3 felonies. According to the indictment, the two men made fraudulent sales of securities to Colorado investors by offering them investments in Vecchiarelli's company, Infinity Investment Properties, LLC, for the purpose of financing the purchases of residential property.

Vecchiarelli allegedly induced investors by making promises of substantial rates of return on short-term investments of as little as 60 days. Vecchiarelli allegedly represented that he and his company owned a significant inventory of residential properties. It is further alleged that Vecchiarelli then diverted significant portions of the funds for his own personal use.

Five alleged victims from Adams, Arapahoe, Denver, and Jefferson Counties with losses over \$150,000 have been identified so far.

Commissioner Joseph said, "This case shows that protecting Colorado investors is our No. 1 priority regardless of the dollar amount of the investment."

Vecchiarelli is currently being held in Douglas County jail. His bond is set at \$100,000.

As with all persons charged with a criminal offense, Vecchiarelli and Zweifel are presumed innocent until proven guilty in a court of law.

August 24, 2005

Contact: Fred J. Joseph Securities Commissioner Colorado Division of Securities 303-894-2320

or

Gerald Rome
Deputy Securities Commissioner
Colorado Division of Securities
303-894-2320

California Company Ordered To Cease And Desist From Securities Sales In Colorado

Denver, Colorado --- Colorado Securities Commissioner Fred J. Joseph announced today that he has entered a final cease and desist order against a California Company and two its salesmen for allegedly violating the securities registration and licensing provisions of the Colorado Securities Act ("Act") in connection with the offer and sale of securities in and from Colorado.

Named in the order are WomansWallstreet, Inc., Solomon M. Reed Jr., and Ed Hanlin.

In the Verified Petition filed with the Commissioner on August 1, 2005, the Staff of the Division of Securities (the "Staff") alleged that beginning in at least April of 2005, WomansWallstreet offered and sold securities in its company. According to WomansWallstreet, its business is to supply personal finance and investment information through its womenswallstreet.com website and finance seminars tailored to the underserved female market. The Staff alleged that the WomansWallstreet offered and sold securities in Colorado that were neither registered, nor exempt from registration as required by the Act. Further, the Staff alleged that Solomon Reed and Ed Hanlin engaged in the business of effecting or attempting to effect purchases and sales of securities of WomansWallstreet to Colorado residents without being licensed as sales representatives with the Securities Commissioner as required by the Act.

The cease and desist order, which WomansWallstreet, Reed and Hanlin agreed to, orders them to immediately and permanently cease and desist offering or selling any "security" in or from the State of Colorado until they are in compliance with the Act. WomansWallstreet has also agreed to make an offer of rescission to all Colorado investors who purchased securities from them. The order was made final on August 24, 2005.

September 1, 2005

Contact: Fred J. Joseph Securities Commissioner Colorado Division of Securities 303-894-2320

or

Gerald Rome
Deputy Securities Commissioner
Colorado Division of Securities
303-894-2320

Securities Commissioner Advises Investors To Beware Of Hurricane-Related Scams

Denver, Colorado - In the wake of widespread devastation caused by Hurricane Katrina in Louisiana, Mississippi, Alabama, and Florida, Colorado Securities Commissioner Fred Joseph today warned investors to beware of opportunistic investment scams.

"Bottom-feeding con artists always try to find ways to exploit tragic headlines to cash in on unsuspecting investors," said Joseph. "These individuals are just a different type of looter."

"In the aftermath of this week's tragedies, investors should be patient and cautious when making decisions about their investments or finances," Joseph said, noting that cold-calling telephone salespeople, advertisements, or Internet postings that tout supposed water-removal or purification technologies and electricity-generating devices should be a red flag for investors.

Joseph also urged investors to watch out for oil-and-gas scams given the current oil prices and the prospects of even higher prices following Katrina's destructive path through Gulf of Mexico oil fields and refineries.

Recalling that many con artists exploited fears associated with the September 11 terrorist attacks and the Year 2000 computer bug to promote investments in precious metals, emergency preparedness scams and non-existent technology companies, Joseph urged investors to:

Hang up on aggressive cold callers promoting hurricane-related or oil-and-gas investments, and ignore unsolicited e-mail or Internet messages discussing small companies with new hurricane-related technologies or products;

Request written information that fully explains the investment.

Use common sense. Pie-in-the-sky promises often signal investment fraud.

Contact your state securities regulator to check that both the seller and investment are licensed and registered. If not, they may be operating illegally.

September 1, 2005

Contact: Lynn Kimbrough Denver District Attorney's Office 720-913-9025

or

Fred J. Joseph Securities Commissioner Colorado Division of Securities 303-894-2320

or

Gerald Rome Deputy Securities Commissioner Colorado Division of Securities 303-894-2320

Two Indicted For Racketeering

The Denver District Attorney's office announced that a Denver Grand Jury has returned a 43-count indictment against two men accused of scamming individuals and businesses out of hundreds of thousands of dollars over the last five years. The indictment was returned last week and is the result of a successful joint investigation by several agencies.

Douglas Alan Glaser (DOB: 11-04-70) and Christopher Stevenson (DOB: 01-11-66) are both charged with violating Colorado's Organized Crime Control Act (F2) as well as conspiracy to commit securities fraud (F4), conspiracy to commit theft (F4), eight counts of securities fraud (F3), and nine counts theft (F4).

Glaser is also facing and additional eight counts of forgery (F5), seven counts of criminal impersonation (F6), four additional counts of theft (F3), possession of four or more financial transaction devices (F5), obtaining a controlled substance by deceit or fraud (F5) and possession of a weapon by a previous offender (F6).

The charges allege that Glaser and Stevenson worked together on a securities fraud scheme that misrepresented stock investments and failed to disclose Glaser's criminal history. The indictment further alleges that Glaser created a false identity that he used to commit numerous additional crimes. Eight individual investors lost nearly \$20,000 and seven institutions that extended more than a million dollars in credit to Glaser lost about \$280,000.

The criminal enterprise came to light earlier this year after Glaser was the victim of a hit-and-run accident. A Denver police officer became suspicious of Glaser's identification, prompting further investigation.

The indictment is the result of a cooperative effort by the Denver Police Department, the Colorado Division of Securities, the Office of the Inspector General - Social Security Administration and the United States Secret Service.

Glaser is scheduled for arraignment in Denver District Courtroom 23 on September 12, 2005 at 8:30 a.m. Stevenson's next court appearance has not yet been scheduled.

*The filing of a criminal charge is merely a formal accusation that an individual(s) committed a crime(s) under Colorado laws. A defendant is presumed innocent until and unless proven quilty. See Colo. RPC 3.6

September 9, 2005

Contact: Fred J. Joseph Securities Commissioner Colorado Division of Securities 303-894-2320

or

Gerald Rome
Deputy Securities Commissioner
Colorado Division of Securities
303-894-2320

Securities Commissioner Issues Order Granting Financial Providers And Their Customers Displaced By Hurricane Katrina Temporary Exemption From The Registration Requirements Of The Colorado Securities Act

Denver, Colorado - Fred J. Joseph, Colorado Securities Commissioner, issued an Order today that temporarily exempts financial providers who have been displaced due to the effects of Hurricane Katrina, or have customers who have been displaced, from the registration and licensing requirements of the Colorado Securities Act.

The Order will allow displaced customers continued access to their financial accounts and financial representatives while providing relief from some regulatory requirements, and allow displaced financial representatives to continue to provide services to their existing customers.

"Because of the tragic events resulting from Hurricane Katrina, we wanted to take some action which will allow investors or their financial representatives who have been displaced to continue to conduct their business without running into excessive red tape," said Commissioner Joseph. "We believe this Order accomplishes this while at the same time protecting investors and maintaining confidence in the securities markets."

September 22, 2005

Contact:
Contact:
Fred J. Joseph
Securities Commissioner
Colorado Division of Securities
303-894-2320

or

Gerald Rome Deputy Securities Commissioner Colorado Division of Securities 303-894-2320

Kansas Oil And Gas Promoters Charged With Securities Law Violation

Denver, Colorado --- Colorado Securities Commissioner Fred J. Joseph announced today that he has filed a complaint in Denver District Court against three Kansas businesses and five individuals alleging that they have violated the anti-fraud, registration, and licensing provisions of the Colorado Securities Act in connection with their marketing and promotion of interests in oil and gas joint ventures in Colorado. The Commissioner is represented in the action by attorneys from the office of the State Attorney General John W. Suthers.

Named in the complaint are Key Resource Group, LLC, a Kansas limited liability company, Key Gas Corporation, a Kansas corporation, Key Gas Holding, LLC, a Kansas limited liability company, and Dale C. Lucas, Russell W. Kilgariff, Michael J. McNaul, and Rodney E. Andersen, of Wichita, Kansas, and Michael A. Campa, of California (hereinafter "the Key Defendants"). None of these Defendants are licensed in any capacity with the Securities Commissioner.

In the complaint, the Commissioner has alleged that the Key Defendants represent that they are in the business of acquiring leases on known producing land for the recovery of gas and oil from a group of wells. The Key Defendants establish joint ventures which acquire interests in particular wells and arrange for or conduct drilling and operations of those wells. The Key Defendants recruit individuals to serve as commissioned sales agents to aggressively market, promote, and sell interests in their joint ventures. The Commissioner further alleges in his complaint that Key Defendants engaged in a scheme to defraud the joint venture investors by falsely promising investors "rebates," touting the investment as a "for-sure" deal, and paying sales commissions of up to 50% of the investment amount. In addition, the Key Defendants failed to disclose to investors that at least one of its sales agents was a convicted felon who has at least two separate cease and desist orders entered against him by different state securities regulators. The total amount of losses suffered by Colorado investors is under review.

"This case highlights the need for investors to beware of placing their investments or retirement funds in oil-andgas investment ventures," said Commissioner Joseph, "especially given the prospects of higher oil and gas prices due to Hurricanes' Rita and Katrina."

October 31, 2005

Contact: Fred J. Joseph Securities Commissioner Colorado Division of Securities 303-894-2320

or

Gerald Rome
Deputy Securities Commissioner
Colorado Division of Securities
303-894-2320

Securities Commissioner Obtains Court Order Placing Mile High Capital Group In Receivership

Denver, Colorado --- Colorado Securities Commissioner Fred J. Joseph announced today that Mile High Capital Group, Ltd, has entered into a Stipulation which has resulted in the Denver District Court entering an Order appointing a Receiver over Mile High, and entering an Order preliminarily enjoining Mile High from future violations of the Colorado Securities Act. The Receiver appointed by the Court is Hall Wells DiNardo, LLC. In addition, Commissioner Joseph has filed a complaint in Denver District Court against Mile High alleging that Mile High has violated the registration provisions of the Colorado Securities Act in connection with Mile High's efforts to borrow money from the general public in Colorado. The Commissioner is represented in the action by attorneys from the office of State Attorney General John W. Suthers.

"Our investigation of this matter is on-going," said Commissioner Joseph. "The appointment of the Receiver will serve to preserve and protect the assets of Mile High for the benefit of the investors and customers while the investigation continues."

November 22, 2005

Contact: Fred J. Joseph Securities Commissioner Colorado Division of Securities 303-894-2320

or

Gerald Rome
Deputy Securities Commissioner
Colorado Division of Securities
303-894-2320

Georgia Company Sanctioned By Securities Commissioner

Denver, Colorado --- Colorado Securities Commissioner Fred J. Joseph announced today that he has entered a final cease and desist order against a Georgia company, Cornerstone Ministries Investments, Inc., for allegedly violating the securities registration provisions of the Colorado Securities Act ("Act") in connection with the offer and sale of securities in and from Colorado.

The Staff of the Division of Securities (the "Staff") has alleged that Cornerstone has made a public offering of its securities in Colorado from 2000 to 2004. During that time period, Cornerstone claimed it was exempt from the registration provisions of the Act because its securities were approved for listing with the Chicago Stock Exchange. The Staff has alleged that because Cornerstone never actually complied with the conditions set out by the Chicago Stock Exchange for listing, the exemption from registration relied upon by Cornerstone to offer its securities in Colorado was not available. As a result, the Staff alleged that Cornerstone offered and sold its securities in Colorado in violation of the registration provisions of the Act.

Cornerstone is a for-profit company that markets itself as a company that finances land purchases and building purchases or construction for churches and other non-profit faith-based entities. From the period of approximately 2000 through 2004, Cornerstone made sales in Colorado of its bonds and common stock for which it relied on the "listing" exemption to approximately 99 investors in Colorado, to whom there were 144 sales of bonds and 10 sales of common stock.

Cornerstone has neither admitted nor denied the allegations of the Staff. As a result, Cornerstone has agreed to the entry of a cease and desist order which orders them to immediately and permanently cease and desist offering or selling any "security" in or from the State of Colorado until they are in compliance with the Act. Further, Cornerstone has agreed to make an offer of rescission to Colorado investors who purchased securities from them. The Order requires Cornerstone to redeem the securities purchased by Colorado investors for the principal amount of the security together with interest at the statutory rate of 8% per annum from the date of purchase less any interest payments made. The order was made final on November 21, 2005.

November 29, 2005

Contact: Fred J. Joseph Securities Commissioner Colorado Division of Securities 303-894-2320

or

Gerald Rome
Deputy Securities Commissioner
Colorado Division of Securities
303-894-2320

Hedge Fund Operator Charged With Securities Law Violations

Denver, Colorado --- Colorado Securities Commissioner Fred J. Joseph announced today that he has filed a complaint in Denver District Court against three individuals and their related businesses alleging that they have violated the anti-fraud and licensing provisions of the Colorado Securities Act in connection with their marketing and management of Ark Holdings Group, Inc., and Ark Capital Management Group, Inc. ("Ark Holdings"), a hedge fund operating most recently out of Parker, Colorado.

Named in the complaint in addition to the Ark Holdings entities are Steven M. Donnellan of Parker, Colorado, Todd M. Keizer of Grand Haven, Michigan, and Philip J. Candy, formerly of Rochester, Michigan, and now residing in Phoenix, Arizona. None of these Defendants are licensed in any capacity with the Securities Commissioner.

In the complaint, the Commissioner has alleged that the Defendants carried out a scheme to defraud investors in a hedge fund controlled by them. From 2000 through 2004, the Defendants allegedly misappropriated, dissipated, and lost over \$2 million of their clients' money that was invested in Ark Holdings. Ark Holdings apparently was conceived as a real hedge fund that traded securities. However, shortly after its inception in 2000, the Fund began to sustain large losses from trading and the Defendants began allegedly lying to investors regarding the Fund's performance and the value of investors' accounts. By the end of 2004, the Fund had a net value of almost zero. Despite these losses, the Defendants continued to promote the Fund by continuing to "guarantee" an 18 percent return on investments.

The complaint further alleges that the Defendants, despite the heavy trading losses, enriched themselves at the investor's expense. For example, the Complaint alleges that in approximately September 2002, the Defendants diverted investor funds to purchase a \$550,000 residence located in Parker. The property was eventually transferred to Defendant Donnellan without the Fund receiving reasonably equivalent value in return. A total of approximately 40 investors invested in excess of \$2.0 million in Ark Holdings.

"This case highlights the need for investors to beware when placing their investments or retirement funds in so-called hedge funds," said Commissioner Joseph. "Hedge funds are the current fad, but the time worn adage that 'if it sounds too good to be true, it probably is' applies -- especially to these investment pools that guarantee an 18 percent return. Hedge fund investments are not appropriate for any investor who cannot risk losing their entire investment."

The Commissioner is represented in the action by attorneys from the office of the State Attorney General John W. Suthers.

January 20, 2006

Contact: Fred J. Joseph Securities Commissioner Colorado Division of Securities 303-894-2320

or

Gerald Rome
Deputy Securities Commissioner
Colorado Division of Securities
303-894-2320

Colorado Springs Company Charged With Securities Law Violations

Denver, Colorado --- Colorado Securities Commissioner Fred J. Joseph announced today that he has filed a complaint in Denver District Court against a Colorado Springs investment company and the company's officers alleging that they have violated the anti-fraud and registration provisions of the Colorado Securities Act in connection with their offer and sale of securities.

Named in the complaint are Equity Edge, LLC, and various related entities, including Equity Edge Preferred Income Fund, LLC, Equity Edge Companies, LLC, Equity Edge Wealth Advisers, LLC, Equity Edge Communities, LLC, Equity Edge Private Holdings, LLC. Also named in the complaint are Mark Lane, CEO of Equity Edge, Christopher Brenner, Chief Financial Officer of Equity Edge, and Virginia Ryan, Chief Operating Officer of Equity Edge. Also named in the complaint are two financial advisers and their respective companies, Daniel Spiranac and Donald Lester, and The Spiranac Corporation and Jasper 2000.

In the complaint, the Commissioner has alleged that commencing in 2003, and continuing to at least April, 2005, these Defendants solicited at least 57 individuals who invested in excess of \$9 million in so-called Certificates of Debt being offered by Equity Edge.

The Commissioner further alleges in his complaint that the Defendants engaged in financial fraud by falsely misrepresenting to investors the true purpose of their investment. Rather than investing the funds in real estate and real estate backed investments as stated to the investors, the funds were used to purchase used mobile homes or the notes used to finance the purchase of mobile homes. After purchase of the used mobile homes, the Defendants would offer to sell the mobile homes to buyers with poor credit who generally could not obtain traditional financing. Equity Edge provided the financing of these sales of used mobile homes. Defendants Spiranac and Lester are named in the lawsuit for their role in referring their investment clients to Equity Edge for investment in the Certificates of Debt. Both Spiranac and Lester received significant compensation from Equity Edge for their role. Mr. Spiranac received at least \$160,000, and Mr. Lester received at least \$80,000.

In addition to the fraud claims, the Defendants are charged with failing to register the Certificates of Debt with the Commissioner. Defendants Spiranac and Lester are charged with violating various rules related to their investment adviser activities.

February 3, 2006

Contact: Fred J. Joseph Securities Commissioner Colorado Division of Securities 303-894-2320

or

Kristen M. Hubbel Communications Director Colorado Attorney General 303-866-5632

Englewood Man Sentenced in Stock Scam

Gerald Milner was sentenced on Wednesday in Arapahoe District Court for defrauding four Colorado investors of \$87,000 in connection with his computer technology companies, announced Colorado Attorney General John W. Suthers, and Colorado Securities Commissioner Fred J. Joseph.

Arapahoe County Judge Michael Spears ordered Milner, age 33, to pay back the \$87,000 that he admitted to taking as part of his investment scam, and to spend his first 90 days of five years probation in the county jail.

Following an investigation by Commissioner Joseph's office, the Attorney General's staff obtained an indictment from the statewide grand jury. Milner was accused of soliciting investors to invest in his non-existent business ventures, all allegedly involved in computer technology. He identified investors by approaching individuals that he met through his work as a computer troubleshooter. Any investments he obtained were quickly turned into cash and spent for personal use. At least two of the victims were "at risk adults" in that they were over 60 years of age.

"The risk of financial fraud is increasing," said Attorney General Suthers. "To best protect their financial security, consumers should constantly be on the look-out for potential scams."

"I strongly encourage investors to question the credibility of stock promoters and to contact our office if they have questions before they invest," said Commissioner Joseph. "A simple phone call may save them thousands of dollars."

February 7, 2006

Contact: Fred J. Joseph Securities Commissioner Colorado Division of Securities 303-894-2320

or

Kristen M. Hubbel Communications Director Colorado Attorney General's Office 303-866-5632

Arkansas Man Sentenced to 10 Years in Investment Scam

Former Littleton resident, John Mark Godard, was sentenced on Monday in Denver District Court for defrauding 16 Colorado investors of \$1.3 million, announced Colorado Attorney General John W. Suthers, and Colorado Securities Commissioner Fred J. Joseph.

Following the testimony of seven of the investors, Denver District Court Judge William Robbins sentenced Godard to 10 years in prison, citing the extraordinary amount of money taken by Godard. The Judge also ordered Godard, age 40, to pay back the \$1.3 million that he admitted to taking as part of his investment scam.

Godard was initially arrested on April 9, 2005 in Fayetteville, Arkansas on a warrant issued by the Denver District Court following the return of an indictment obtained by the Colorado Attorney General's office on April 8, 2005. Godard, following an investigation by the Colorado Securities Division, was indicted on seventeen counts of fraud in connection with the sale of securities in Colorado.

Godard induced Colorado investors to purchase stock in his non-existent companies by promising high yields on short-term investments financing radio equipment. Godard then diverted significant portions of the funds for his own personal use.

Attorney General Suthers said, "This case should serve as a reminder to all Coloradans to research every investment opportunity before handing over their hard-earned money."

Commissioner Joseph said, "A ten year sentence should send a strong message to any wannabe con artist that there is a substantial price to pay for destroying peoples' lives by defrauding them of their life savings."

February 28, 2006

Contact: Fred J. Joseph Securities Commissioner Colorado Division of Securities 303-894-2320

or

Gerald Rome
Deputy Securities Commissioner
Colorado Division of Securities
303-894-2320

Replacement Properties Solutions, Inc., Richard J. Darrow, And Frederick Dryer Enjoined On Charges Of Securities Law Violations

Denver Area 1031 Exchange Company and Two Principals Alleged to Have Violated Law by Colorado Securities Commissioner

Denver, Colorado --- Colorado Securities Commissioner Fred J. Joseph announced today that he has filed a complaint in Denver District Court and obtained a temporary restraining order against two entities and two individuals alleging that they are violating the anti-fraud provisions, securities registration, and broker-dealer/sales representative licensing provisions of the Colorado Securities Act ("Act").

Named in the complaint, which was filed on February 28, 2006, are Replacement Property Solutions, Inc., Investment Solutions Group, Inc., Richard J. Darrow, and Frederick Dryer, all of Colorado. None of the defendants are licensed with the Securities Commissioner in any capacity.

In the complaint, the Commissioner has alleged that since at least April of 2005, Darrow and Dryer have offered and sold investments in a Section 1031 tax-deferred exchange of real property program where investors are solicited to invest in certain undivided tenant-in-common interests ("TIC") in real property owned by Mile High Capital Group, Inc. ("MHCG"). Unknown to the investors, the interests in real property being offered are either not owned by MHCG, or so highly leveraged that the investors' interests are worth substantial less than represented. The Commissioner alleged that the TIC interests offered and sold by defendants are "securities" as defined by the Act.

As to MHCG, Commissioner Joseph filed a complaint in Denver District Court on October 28, 2005 against MHCG alleging that MHCG has violated the registration provisions of the Colorado Securities Act in connection with MHCG's efforts to borrow money from the general public in Colorado. From October 28, 2005 to January 13, 2006, MHCG was under the control of a receiver appointed by the Denver District Court. MHCG filed for relief under Chapter 11 of the Bankruptcy Code on January 13, 2006.

In the complaint, the Commissioner has alleged that in connection with the offer and sale of MHCG TIC interests, Defendants made misrepresentations to prospective investors which are materially false and misleading, including, but not limited to the following:

- a. Defendants represented to investors that MHCG owned the properties in which MHCG sold TIC interests to the investors. In truth, some of the properties in which Defendants sold TIC interests to investors were not owned by MHCG. Some investors were conveyed quitclaim deeds from MHCG for properties not owned by MHCG.
- b. Defendants represented to investors that the investor's percentage of ownership in the exchange property is equal to the amount of the investment as a percentage of the original purchase price, and that the property must

have an appraised value for that amount at a minimum, free and clear of any liens. In truth, some of the properties had been mortgaged and encumbered by first liens, and because of the liens, the value of property was far less than the purchase price and the appraised value. In turn, the TIC investments were actually worth far less than represented.

- c. Defendants represented that the funds held by RPS as Intermediary for the 1031 Exchange would be used solely for the purchase of a TIC interest in an exchange property utilizing the 1031 Exchange process. In reality, the funds held by RPS as Intermediary were used for purposes other than the purchase of exchange properties, including, but not limited to, loaning the funds to MHCG.
- d. The Defendants failed to disclose to investors that on or about May 27, 1999, Darrow was convicted of Forgery, pursuant to guilty pleas, in the Jefferson County District Court, case number 98CR3772, and sentenced to 3 years; that on or about March 19, 1999, Darrow was convicted of Manufacture of a Controlled Substance Schedule II, pursuant to guilty pleas, in the Arapahoe County District Court, case number 97CR68, and sentenced to a term of 8 years; and that on or about April 22, 1999, Darrow was convicted of Possession of a Controlled Substance Schedule II, and Theft, pursuant to guilty pleas, in the Jefferson County District Court, case number 98CR2272, and sentenced to a term of 5 years;
- e. The Defendants failed to disclose to investors that on or about February 26, 1987, Dryer was convicted of 10 counts of Securities Fraud, in the Boulder County District Court, case number 85CR373, and sentenced to a term of 8 years probation;
- f. The Defendants failed to tell disclose to investors that Defendant RPS loaned MHCG at least \$2,580,000.00 of investor funds and received deeds of trust on the MHCG properties that grants RPS a superior lien interest to its 1031 Exchange program investors.

The Commissioner further alleges that Defendants actively marketed and sold the MHCG TIC interests. For example, Defendants created an RPS' website which listed four available MHCG projects/properties purportedly available for investment by persons seeking to use the 1031 Exchange program. RPS, Darrow, and Dryer actively participated in the MHCG presentations to investors and negotiations with investors. RPS, Darrow and Dryer made recommendations to investors and received compensation from investors.

The Commissioner alleges that at least 120 investors have purchased MHCG TIC interests through the Defendants and losses to investors exceed \$3 million.

On February 28, 2006, at the request of the Commissioner, Denver District Court Judge Lawrence Manzanares issued a Temporary Restraining Order against the defendants in the matter. In the Order, Judge Manzanares prohibited the defendants from any further violations of the Act.

The Commissioner is represented in the action by attorneys from the office of State Attorney General John Suthers.

April 26, 2006

Contact: Fred J. Joseph Securities Commissioner Colorado Division of Securities 303-894-2320

or

John W. Suthers Colorado Attorney General

Kristen M. Hubbell Communications Director 303-866-5632

Golden Man Arrested Following Indictment for Securities Fraud

Colorado Attorney General John W. Suthers and Colorado Securities Commissioner Fred J. Joseph announced today the return of an indictment against William Daniel Leary of Golden, Colorado, on April 21, 2006, by the State Grand Jury and the subsequent issuance of an arrest warrant on the same date.

The State Grand Jury indicted Leary on fifteen counts of securities fraud, all class 3 felonies. According to the indictment, Leary made fraudulent sales of securities to Colorado investors by offering them investments in his company, MTL Investments, Inc. It is alleged that the investments were ostensibly to be used for financing a youth indoor baseball and softball training facility located in Arvada. Leary also allegedly promised some investors that MTL would set up baseball camps across the country. According to the indictment, the investors lost approximately \$145,000 from this securities scam.

The amount of the bond on Leary's arrest warrant is set at \$30,000. Leary will face these securities fraud charges in Jefferson County District Court in front of District Court Judge Leland Anderson.

Leary gained the confidence of investors by telling them he was a former Denver Bronco," said Attorney General Suthers. "This former Bronco, who appeared briefly on the 1983 roster, used this hook to take advantage of multiple victims in Colorado, Illinois and Florida."

Securities Commissioner Joseph cautions potential investors to thoroughly check out any investment opportunity. Contact the Colorado Division of Securities for inquiries regarding securities broker-dealers, agents, investment advisers, investment adviser representatives, financial planners, and the registration status of securities.

(Note: Any indictment is merely an accusation and any defendant is presumed innocent until and unless proven guilty in a court of law.)

May 4, 2006

Contact: Fred J. Joseph Securities Commissioner Colorado Division of Securities 303-894-2320

or

David F. Rivera Insurance Commissioner Colorado Division of Insurance 303-894-7499

Waddell & Reed, Inc., Pays Restitution in the Amount of \$604,000 to 264 Colorado Investors Relating to Variable Annuity Switching

Denver, Colorado - The Colorado Division of Insurance and the Colorado Division of Securities today announced that as a result of their settlement agreement reached with Waddell & Reed, Inc., of Overland Park, KS, arising from thousands of variable annuity exchanges made as part of the firm's national switching campaign, 264 Colorado investors have received in excess of \$600,000 in restitution for charges and fees incurred in the switching campaign.

The settlement agreement with Waddell & Reed, announced in August of 2005, was part of a settlement with a coalition of state regulatory authorities where Waddell & Reed will pay up to \$11 million to more than 5,000 customers nationwide whose annuities were exchanged by the firm.

According to the Division of Insurance and the Division of Securities, between January 2001 and August 2002, Waddell & Reed engaged in an aggressive campaign to switch customers from variable annuity contracts issued by United Investors Life Insurance Co. (UILIC) to similar annuities provided by Nationwide Insurance Co. The switching campaign was initiated after Waddell failed to obtain an agreement from UILIC to receive a share of annual mortality and expense (M&E) fees collected by UILIC from Waddell's customers. Waddell approached Nationwide, which agreed to a fee sharing arrangement.

Following that agreement, senior managers encouraged the sales force to engage aggressively in switching customers. During this campaign, some advisors expressed concern that these switches were not in the best interests of their clients.

As the settlement agreement required, Waddell & Reed has repaid all Colorado customers one hundred percent of all surrender charges they incurred in the exchanges, and has compensated the purchasers of the more expensive annuity by repaying the cost difference between the two products.

Commissioner Joseph said, "Annuities, whether they are variable annuities or equity indexed annuities, are not suitable for every investor. Investors can protect themselves by asking what are the up-front costs, including commissions and fees, and what it costs in penalties to get out of the product, and keep asking until they get a straight answer."

Commissioner Rivera said, "Annuities are important but complex financial products. Consumers need to educate themselves prior to purchasing them. We urge consumers who want more information about annuities to visit our website at http://www.dora.state.co.us/insurance/consumer/annuities.htm."

May 23, 2006

Contact: Fred J. Joseph Securities Commissioner Colorado Division of Securities 303-894-2320

or

John W. Suthers Colorado Attorney General

Kristen M. Hubbell Communications Director 303-866-5632

Denver Man Sentenced To 8 Years In Investment Scam

Rico Vecchiarelli, founder of American Championship Fighting, sentenced for defrauding investors out of nearly \$150,000

(DENVER) - Attorney General John Suthers and Securities Commissioner Fred Joseph announced today that Denver resident Rico Vecchiarelli (DOB 2/21/76) was sentenced in Denver District Court for defrauding five investors out of \$147,000.

Vecchiarelli, who addressed the court at his sentencing hearing last Friday, promised to pay the investors back. Following his comments, Denver District Court Judge Shelley Gillman sentenced Vecchiarelli to eight years in prison. If he delivers on his promise to pay back the \$147,000 in restitution, his sentence will be reduced to four years.

"Vecchiarelli defrauded investors from the metro-area out of thousands of dollars with empty promises," said Suthers. "This sentence is rightly deserved and we hope Vecchiarelli makes good on his promise to re-pay the investors who entrusted their savings to him."

Vecchiarelli was originally charged with six counts of securities fraud and one count of theft. Vecchiarelli induced investors to invest in his company, Infinity Investment Properties, LLC, by promising that the investor money would be used to finance real estate purchases. In return for their investments, investors received a promissory note. In some instances, he promised to double investments in less than two months. Rather than use investor money for the purchase of real estate, Vecchiarelli used the funds for personal use.

Vecchiarelli, also known as Rico Vecc, is the founder of American Championship Fighting. American Championship Fighting held its second event, a mixed martial arts competition, two weeks ago in Denver.

"Scam artists who make false promises to Colorado investors can suffer an outcome far worse than any knockout," said Commissioner Joseph. "An eight year sentence should send a strong message that there is a significant price to pay for defrauding Colorado investors."

Since Vecchiarelli has two prior felony convictions for assault and criminal mischief, he was not eligible for probation.

May 25, 2006

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or

Gerald Rome
Deputy Securities Commissioner
Colorado Division of Securities
303-894-2320

ATM Company Ordered To Cease And Desist From Securities Sales In Colorado

Denver, Colorado --- Colorado Securities Commissioner Fred J. Joseph announced today that he has issued a cease and desist order against a California company and its principals for violating the securities registration and anti-fraud provisions of the Colorado Securities Act ("Act") in connection with the offer and sale of securities in and from Colorado.

Named in the order are OneSource Financial Group, LLC, Mark Lebowitz, and Alex Roderick. All are located in Costa Mesa, California.

In the Verified Petition filed with the Commissioner on May 5, 2006, the Staff of the Division of Securities (the "Staff") alleged that beginning in at least October 2005, OneSource began selling Automated Teller Machines ("ATMs") to investors in Colorado at \$4,000 for each ATM. OneSource told investors that they would place the ATMs in casinos located in Las Vegas and Atlantic City or, alternatively, in Chevron gas stations. OneSource would maintain the ATMs, collect the revenues from the ATMs, and disburse the owner's share of the revenues to the owners of the ATMs. Investors were told they would receive profits of \$1.00 per transaction involving their ATM. Investors were promised between 150 to 300 daily transactions for each ATM. The Staff alleged in the Petition that the ATMs purportedly sold to Colorado investors never existed.

The Staff alleged that these interests in the ATMs were securities under the Act, and were never registered with the Commissioner as required by the Act. The Staff also alleged that the Respondents made untrue statements and omissions of material fact to investors which were all in violation of the anti-fraud provisions of the Act. Prior to the Commissioner's order, at least 23 Colorado investors had invested more than \$600,000 with OneSource.

The cease and desist order, which was made final on May 23, 2006, orders the Respondents to immediately and permanently cease and desist offering or selling any "security" in or from the State of Colorado.

"The sale and leaseback of a piece of equipment like an ATM has been a scam that has been around before," Commissioner Joseph said. "And it is not uncommon for the promoters of these schemes to say that the ATM will be located in a casino." Commissioner Joseph urged investors to contact the Division of Securities with any questions about an investment product, broker or adviser, before making an investment. "One phone call can save a lot of money and heartache," he said.

July 13, 2006

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303-894-2320

or

Gerald Rome Deputy Securities Commissioner Colorado Division of Securities 303-894-2320

Aurora Man Sentenced In Stock Scam

Aurora resident Elvin Vern Jones, 73 years old, was sentenced in Arapahoe District Court for defrauding a Colorado investor of \$114,000, announced Arapahoe County District Attorney Carol Chambers and Colorado Securities Commissioner Fred J. Joseph.

Following Jones' entry of a plea of guilty to the crimes of attempted securities fraud and theft, Arapahoe County District Court Judge Angela Arkin sentenced Jones to 10 years of probation and, citing Jones' lack of remorse, imposed a 40 day jail sentence. Judge Arkin also ordered Jones, despite his age, to obtain employment in order to pay back the \$114,000 that he admitted to taking as part of his investment scam.

Following a joint investigation by the Aurora Police Department and the Colorado Division of Securities, Jones was charged with two counts of securities fraud, both class 3 felonies, and two counts of theft, class 4 felonies, in connection with the sale of securities. Jones met prospective investors at a local church and induced at least one investor to invest in his non-existence company, Optimum International, Inc. Jones promised that, in seven days, he would triple the amount of any investment in an international investment program. Jones diverted significant portions of the funds for his own personal use.

This case was prosecuted jointly by the Arapahoe County District Attorney's Office and the Colorado Attorney General's Office.

Commissioner Joseph said, "This conviction was the result of different Colorado agencies working together to obtain a result that will enhance investor protection here in Colorado. We especially want to thank the Aurora Police Department, the Arapahoe County District Attorney's office, and the Colorado Attorney General's Office, whose contributions to this case all made this conviction happen."

September 11, 2006

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or

John W. Suthers Colorado Attorney General

Contact: Kristen M. Holtzman Communications Director 303-866-5632

Colorado Man Indicted And Arrested For Stock Scam

Colorado Attorney General John W. Suthers, and Colorado Securities Commissioner Fred J. Joseph, announced today the arrest of Mark Steven Blakemore of Erie, Colorado, (DOB: 11/20/56) for his alleged participation in a securities scam in the Boulder-Denver area.

Blakemore was arrested on a warrant issued by the Denver District Court following the return of an indictment by the Colorado State Grand Jury on September 8, 2006. Blakemore was indicted on seventeen counts of securities fraud and six counts of theft in connection with the sale of securities in Colorado, all class three felonies.

It is alleged that Blakemore sold phony investments, through his company, Great Plains Financial, LLC, to at least thirty-eight investors totaling over \$3.2 million. It is alleged that Blakemore represented to investors that his company, Great Plains Financial, sold "short term corporate debentures" which paid investors an exceedingly high rate of return. Blakemore allegedly represented to investors that he had a confidential trading relationship with a major bank ranked in the top 25 worldwide which generated substantial profits when no such relationship existed. It is further alleged that Blakemore either sent the investors monies to Michael W. Conley of Shawnee, Kansas, and his company, Konza Financial, who paid Blakemore significant commissions, or was kept for Blakemore's own personal use.

In March of 2006, Michael W. Conley entered a plea agreement with the U.S. Attorney for the Eastern District of Virginia for his role in a scheme to defraud investors through his company, Konza Financial. Conley, in his plea agreement, waived being indicted in exchange for a plea of guilty to one count of mail fraud. Conley was sentenced to seven years in federal prison on his plea of guilty.

Blakemore was arrested on September 8, 2006, and posted bond in the amount of \$50,000.

"Mr. Blakemore is accused of targeting teachers, convincing them to turn over their hard-earned money to a non-existent investment scheme," said Attorney General Suthers. "This case is just another example of the successful partnership between our office and the Division of Securities."

Commissioner Joseph said, "The investment scheme promoted by Mr. Blakemore appears to be a variation of the 'prime bank note' schemes that have been circulating for years. This type of scheme continues to make regulator's top ten list of investor's traps." Commissioner Joseph cautions investors to check out any investment opportunity, especially those promising high rates of return.

(Note: Any indictment is merely an accusation and any defendant is presumed innocent until and unless proven guilty in a court of law).

October 19, 2006

Contact: Fred J. Joseph Securities Commissioner Colorado Division of Securities 303-894-2320

or

John W. Suthers Colorado Attorney General

Jason Dunn Deputy Attorney General 303-866-5132

Denver Man Sentenced To 48 Years For Financial Fraud

(DENVER) - Attorney General John Suthers and Securities Commissioner Fred Joseph announced today that Raymond Paul Morris, 49, of Castle Rock, Colorado, was sentenced in Douglas County District Court yesterday to 48 years in the Department of Corrections after pleading guilty to four counts of securities fraud and one count of theft, all Class 3 felonies. Morris was also ordered to pay \$2 million in restitution to his victims. Morris was indicted by the Colorado State Grand Jury in November of 2005.

"This case should be a lesson for both criminals and investors," said Suthers. "Criminals are on notice that we take these crimes very seriously and will seek long jail sentences for such scams. Potential investors are cautioned that they must do their homework before investing." Suthers further added, "I want to commend the Douglas County Sheriff's Office for their diligent work on this case over the past several years."

Commissioner Joseph said, "The judge's sentence in this case sends a clear message to all would-be con artists. Colorado is a bad place to cheat investors. Don't do it here because you will be caught, prosecuted and sent to jail for a long time."

According to the indictment, Morris employed several schemes to defraud his investors. Among those schemes, Morris promised lots in a parcel of land he did not yet own in an area he claimed to be developing for residential use, known as "Cherry Valley Land Development." Morris failed to develop the land and investors never received title to the property for which they paid.

Another alleged scheme Morris used to defraud investors was convincing them to lend money to third parties, offering promissory notes secured with forged deeds of trust to the third parties' homes. However, the third parties were never involved in the transaction and never received any of the money.

Morris also solicited and accepted investor money to trade in the foreign currency market promising substantial returns, but failed to disclose poor performance on prior returns. Morris further failed to inform the investors that some of the money would be used for personal purposes.

October 19, 2006

Contact: Fred J. Joseph Securities Commissioner Colorado Division of Securities 303-894-2320

or

Scott W. Storey
District Attorney
Jefferson & Gilpin Counties

Contact: Pam Russell Public Information 303-271-6905

20 Year Prison Sentence For Defrauding Seniors

District Attorney Scott Storey and Securities Commissioner Fred Joseph announced today that Andrew Paul Weis, DOB: 10-27-50, of Lakewood, was sentenced to 20 years in prison, plus five years mandatory parole, for securities fraud. He defrauded at least 25 people, most being older adults, out of almost \$600,000.

Weis operated under the business names of Total Financial Management, Total Financial Group, Total Financial Fund and Total Financial in Lakewood, Colorado. Between 1999 and December 2002, Weis held himself and his business out to the public as a safe way for people to invest their retirement savings. He solicited money, primarily in Colorado and New Mexico, and often through presentations at retirement and senior centers. Mr. Weis failed to invest this money as he indicated he would and, instead, used the money to pay his personal living expenses, supporting his \$200,000 a year lifestyle. In a Ponzi-like fashion, some money was used to pay other investors a dividend so that they would think that their money was actually invested. Mr. Weis failed to tell investors that he was not licensed or authorized to transact business as a securities broker-dealer or sales representative. Many of the victims were "at risk" adults and two of the victims passed on during the course of the case.

District Attorney Storey was pleased with the sentence, saying, "As strong a message as this sentence will send to criminals, it also reinforces my commitment to continuing to educate our senior citizens about fraud and their finances through our Communities Against Senior Exploitation (CASE) program. Seniors need to be very cautious and seek second or third opinions before moving their retirement savings and consult with friends or family about these decisions."

At sentencing, Weis proposed a payment plan to the court that would include him being on probation, finding a job and paying \$2000 a month to victims. Chief Judge Brooke Jackson found the proposed plan to be unacceptable given the amount of money stolen, the length of time it would take to pay victims in full at this rate, the speculative nature of the job prospect and the nature of the defendant's conduct and harm he had caused.

Weis pled guilty on August 17 to two counts of Securities Fraud and one count of Theft of an At-Risk Adult, all class three felonies.

Commissioner Joseph said, "Weis used 'free lunch' seminars to dupe investors, mainly seniors, into turning over their retirement savings to him." Commissioner Joseph cautioned investors to do their homework before investing. "The length of the judge's sentence puts con-artists on notice that ripping off investors, particularly seniors, carries severe consequences," added Joseph.

October 24, 2006

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303-894-2320

or

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Klytie's Developments, Hidai Friedman, Efrat Friedman, And Jason Sharkey Enjoined On Charges Of Securities Law Violations

Canadian Company and Three Principals Alleged to Have Violated Law by Colorado Securities Commissioner

Denver, Colorado --- Colorado Securities Commissioner Fred J. Joseph announced today that he has filed a complaint in Denver District Court and obtained a temporary restraining order against two entities and three individuals alleging that they are violating the anti-fraud provisions and securities registration provisions of the Colorado Securities Act ("the Act").

Named in the complaint, which was filed on October 23, 2006, and subject of the temporary restraining order, are Klytie's Developments, Inc., Hidai Friedman, and Efrat Friedman, all of Calgary, Alberta, and Klytie's Developments, LLC, and Jason Sharkey, all of Colorado.

In the complaint, the Commissioner has alleged that since at least March of 2005, the Defendants have offered and sold investments in the so-called "Global Real Estate Fund." Defendants represented to investors that they would pool investor monies to finance the purchase of real estate developments and holdings throughout the world. In turn, those real estate developments would form the assets of the Global Real Estate Fund and the investors would share in the profits and capital gains derived from the assets of the Fund. The Defendants guaranteed a minimum annual return of 10% to investors.

In the complaint, the Commissioner has alleged that in connection with the offer and sale of interests in the Global Real Estate Fund, Defendants made misrepresentations to prospective investors which are materially false and misleading, including, but not limited to the following:

- a. Defendants represented to investors that Klytie's Developments owned the properties listed in the Klytie's Prospectus. In truth, some of the properties identified in the Prospectus do not even exist.
- b. Defendants represented to investors that investor's funds would be pooled to purchase real estate. But investor funds were used for purposes other than the purchase of real estate, including the personal use by the Defendants.
- c. Defendants represented that the properties were held in trust by TD Canada Trust. But TD Canada Trust has no record of any trust documents filed with them by the Defendants.

The Division of Securities is currently aware of at least 50 investors who have invested over \$2.25 million with Klytie's Developments. Investments in Klytie's may exceed \$7 million.

On October 23, 2006, at the request of the Commissioner, Denver District Court Judge Joseph Meyer issued a Temporary Restraining Order against the defendants in the matter. In the Order, Judge Meyer prohibited the defendants from offering or selling unregistered securities in Colorado and violating the anti-fraud provisions of the Colorado Securities Act. The Judge's Order also froze various bank accounts maintained by the Defendants.

In a related action, on October 4, 2006, the Alberta Securities Commission obtained an Interim Cease Trade Order against Klytie's and the Friedman's for violations of the Alberta securities laws.

Both the U.S. Securities and Exchange Commission and the Alberta Securities Commission assisted in the investigation of this case.

The Commissioner is represented in the action by attorneys from the office of State Attorney General John Suthers.

February 1, 2007

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Colorado Division of Securities
303-894-2320

or

Gerald Rome Deputy Securities Commissioner Colorado Division of Securities 303-894-2320

Kansas Oil And Gas Promoters Settle Colorado Securities Law Violations

Denver, Colorado - Colorado Securities Commissioner Fred Joseph announced today that he has settled his enforcement action against the Key Resource Companies (Key Resource Group, LLC, Key Gas Corp., and Key Gas Holding), and their president, Dale C. Lucas, and vice-presidents, Russell Kilgariff and Michael J. McNaul, all of Wichita, Kansas, arising from their marketing and promotion of interests in oil and gas wells to Colorado investors.

Under the terms of the settlement, the Key Resource Companies have paid the Securities Commissioner \$300,000 in restitution for 15 Colorado investors. Also, all the Defendants consented to a permanent injunction entered by Judge Larry Naves of the Denver District Court barring them from the securities industry in Colorado and permanently enjoining them from further violation of the registration, licensing and anti-fraud provisions of the Colorado Securities Act.

In his complaint, the Securities Commissioner alleged that from at least 2003 through 2006, the defendants sold investments in various oil and gas related investment programs. Also, the defendants represented to investors that they acquired producing oil and gas properties, and then retained operators to drill and operate the wells. The defendants recruited sales agents to market and sell the interests in the oil and gas wells. The sales agents received up to 50% of the invested amount in commissions. The Securities Commissioner further alleged in his complaint that the defendants engaged in a scheme to defraud the oil and gas investors by falsely promising investors "rebates," by conducting telephone conferences with investors that were staged, scripted presentations designed to promote the sale of the interests, telling the investors that the investment was a "for sure" deal. The defendants also failed to disclose to investors that they were paying sales agents up to 50% of the invested amount in commissions, and that at least one of its sales agents was a convicted felon, who has at least two cease and desist orders entered against him by different state securities regulators.

"With the recent spike in gasoline prices last summer, oil and gas investment schemes are the 'fraud de jour' and have come back to haunt the investing public," said Securities Commissioner Joseph. "With the number of complaints we are receiving on oil and gas deals, investors need to be particularly cautious before investing in any oil and gas venture. These ventures are very speculative and highly illiquid. And even where the underlying project is legitimate, any profits can vanish through high sales commissions and so-called expenses skimmed off by the promoters," said Joseph.

February 5, 2007

Contact:
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Securities Commissioner
Colorado Division of Securities
303-894-2320

or

Gerald Rome Deputy Securities Commissioner Colorado Division of Securities 303-894-2320

Texas Oil And Gas Company Sanctioned By Securities Commissioner

Denver, Colorado --- Colorado Securities Commissioner Fred J. Joseph announced today that he has entered a final cease and desist order against a Texas oil and gas company for allegedly violating the securities registration, licensing, and anti-fraud provisions of the Colorado Securities Act ("Act") in connection with the offer and sale of securities in and from Colorado.

Named in the Order are North Texas Exploration, Inc., its president, Larry W. Shopher, its vice-president and chief operating officer, Jeffrey S. Goerges, and two salesmen, Isaac H. Bolch, and Kyle B. Bolch, all of San Antonio, Texas.

The Staff of the Division of Securities (the "Staff") has alleged that from January of 2006, through November of 2006, the Respondents attempted to sell investments in an oil and gas related venture in three oil and gas wells to be drilled in Okfuskee County, Oklahoma. The Staff alleged that the Respondents engaged in a scheme to defraud potential oil and gas investors by failing to disclose to investors that Shopher and Goerges were subject to an Order of Prohibition and Revocation issued by the Wisconsin Division of Securities in 2004, and that Goerges was subject to an Administrative Order issued by the Pennsylvania Securities Commission in 2000. The Staff also alleged that North Texas offered and sold its securities in Colorado that were not registered, or exempt from registration, and without the proper license, in violation of the registration and licensing provisions of the Act.

The cease and desist order, which North Texas Exploration, Shopher, Goerges, Isaac Bolch, and Kyle Bolch agreed to, orders them to immediately and permanently cease and desist offering or selling any "security" in or from the State of Colorado in violation of the anti-fraud provisions of the Act or otherwise engaging in conduct in violation of any provision of the Act. The order was made final on February 5, 2007.

February 8, 2007

Contact:
Contact:
Fred J. Joseph
Securities Commissioner
Colorado Division of Securities
303-894-2320

or

Gerald Rome Deputy Securities Commissioner Colorado Division of Securities 303-894-2320

Kentucky Oil And Gas Company Sanctioned By Securities Commissioner

Denver, Colorado --- Colorado Securities Commissioner Fred J. Joseph announced today that he has entered a final cease and desist order against a Kentucky oil and gas company for allegedly violating the securities registration and licensing provisions of the Colorado Securities Act ("Act") in connection with the offer and sale of securities in Colorado.

Named in the Order are Petrotech Resources Corporation, its president, John Burness, and two salesmen, George Robert McDaniel, and Brian Evans, all of Glasgow, Kentucky.

The Staff of the Division of Securities (the "Staff") has alleged that in November of 2006, the Respondents attempted to sell investments in an oil and gas related venture. The purpose of the venture was to drill four oil and gas wells in Barren, Metcalfe and Green Counties in Kentucky. The venture is named the Center Field Reef Discovery Prospect No. 3. The Staff alleged that the Respondents attempted to sell these interests, which are securities, without registering the securities with the Division, and without being properly licensed with the Division, all in violation of the Act. Petrotech had prior regulatory problems with the State of Kentucky. Petrotech entered an Order with the State of Kentucky whereby Petrotech agreed that its employees would make no reference to specific offerings of the company on telephone calls and only sales agents registered with the Kentucky Office of Financial Institutions may solicit sales of oil and gas interests.

The cease and desist order, which Petrotech, Evans, Burness, and McDaniel agreed to, orders them to immediately and permanently cease and desist offering or selling any "security" in or from the State of Colorado in violation of the registration, licensing, and anti-fraud provisions of the Act or otherwise engaging in conduct in violation of any provision of the Act. The order was made final on February 7, 2007.